

## INDIVIDUAL INCOME TAX REDUCTION ACT OF 1947

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MAY 14 (legislative day, APRIL 21), 1947.—Ordered to be printed

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MR. MILLIKIN, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 1]

The Committee on Finance, to whom was referred the bill (H. R. 1) to reduce individual income-tax payments, having had the same under consideration, report favorably thereon, with amendments, and, as amended, recommend that the bill do pass.

#### I. GENERAL STATEMENT

This bill provides an immediate reduction in individual income taxes. The heavy rates now in effect constitute a serious restriction on consumer expenditures, retard new investment, and inhibit managerial initiative. A general reduction of these rates at the present time would contribute to the maintenance of the existing high levels of employment and output.

The amount of tax reduction possible at this time is limited by the present high level of expenditures and by the need for a reduction in the Federal debt of \$258 billion. With the Senate expenditure ceiling of \$33 billion for the fiscal year 1948, and estimated receipts of \$41.4 billion, \$8.4 billion will be available for tax reduction and debt retirement. The tax reduction recommended by your committee amounts to \$3.2 billion in the fiscal year 1948, leaving \$5.2 billion for debt retirement and contingencies.

H. R. 1 as it passed the House provided a reduction which, with income payments of \$170 billion, would amount to \$4.9 billion in the fiscal year 1948. Your committee believes that a more conservative reduction should be made at this time. For that reason the bill as amended by your committee provides that only approximately one-half the eventual reduction will be made for the calendar year 1947. The full reduction will be effective in 1948.

All income taxpayers will receive relief under this bill. The largest percentage reduction will be received by taxpayers having incomes of

TABLE I.—A comparison of the effective individual income tax rates under present law, under H. R. 1 as passed by the House, and under the Senate Finance Committee bill

| Net income before personal exemptions | Single persons, no dependents |                            |                             |                           | Married persons, no dependents |                            |                             |                           |
|---------------------------------------|-------------------------------|----------------------------|-----------------------------|---------------------------|--------------------------------|----------------------------|-----------------------------|---------------------------|
|                                       | Present law                   | H. R. 1 as passed by House | Finance Committee bill for— |                           | Present law                    | H. R. 1 as passed by House | Finance Committee bill for— |                           |
|                                       |                               |                            | 1947                        | 1948 and subsequent years |                                |                            | 1947                        | 1948 and subsequent years |
|                                       | Percent                       | Percent                    | Percent                     | Percent                   | Percent                        | Percent                    | Percent                     | Percent                   |
| \$500                                 |                               |                            |                             |                           |                                |                            |                             |                           |
| \$600                                 | 3. 17                         | 2. 22                      | 2. 69                       | 2. 22                     |                                |                            |                             |                           |
| \$700                                 | 5. 43                         | 3. 80                      | 4. 61                       | 3. 80                     |                                |                            |                             |                           |
| \$750                                 | 6. 33                         | 4. 43                      | 5. 38                       | 4. 43                     |                                |                            |                             |                           |
| \$800                                 | 7. 12                         | 4. 99                      | 6. 06                       | 4. 99                     |                                |                            |                             |                           |
| \$900                                 | 8. 44                         | 5. 91                      | 7. 18                       | 5. 91                     |                                |                            |                             |                           |
| \$1,000                               | 9. 50                         | 6. 65                      | 8. 08                       | 6. 65                     |                                |                            |                             |                           |
| \$1,200                               | 11. 08                        | 7. 76                      | 9. 42                       | 7. 76                     | 3. 17                          | 2. 22                      | 2. 69                       | 2. 22                     |
| \$1,500                               | 12. 67                        | 8. 87                      | 10. 77                      | 8. 87                     | 6. 33                          | 4. 43                      | 5. 38                       | 4. 43                     |
| \$1,600                               | 13. 06                        | 9. 56                      | 11. 34                      | 9. 56                     | 7. 12                          | 4. 99                      | 6. 06                       | 4. 99                     |
| \$1,700                               | 13. 41                        | 10. 18                     | 11. 85                      | 10. 18                    | 7. 82                          | 5. 48                      | 6. 65                       | 5. 48                     |
| \$1,800                               | 13. 72                        | 10. 72                     | 12. 31                      | 10. 72                    | 8. 44                          | 5. 91                      | 7. 18                       | 5. 91                     |
| \$1,900                               | 14. 00                        | 11. 20                     | 12. 60                      | 11. 20                    | 9. 00                          | 6. 30                      | 7. 65                       | 6. 30                     |
| \$2,000                               | 14. 25                        | 11. 40                     | 12. 83                      | 11. 40                    | 9. 50                          | 6. 65                      | 8. 08                       | 6. 65                     |
| \$2,100                               | 14. 48                        | 11. 58                     | 13. 03                      | 11. 55                    | 9. 95                          | 7. 29                      | 8. 64                       | 7. 29                     |
| \$2,200                               | 14. 68                        | 11. 75                     | 13. 21                      | 11. 75                    | 10. 36                         | 7. 86                      | 9. 16                       | 7. 86                     |
| \$2,300                               | 14. 87                        | 11. 90                     | 13. 38                      | 11. 90                    | 10. 74                         | 8. 39                      | 9. 63                       | 8. 39                     |
| \$2,400                               | 15. 04                        | 12. 03                     | 13. 54                      | 12. 03                    | 11. 08                         | 8. 87                      | 9. 98                       | 8. 87                     |
| \$2,500                               | 15. 20                        | 12. 16                     | 13. 68                      | 12. 16                    | 11. 40                         | 9. 12                      | 10. 26                      | 9. 12                     |
| \$3,000                               | 16. 15                        | 12. 92                     | 14. 54                      | 12. 92                    | 12. 67                         | 10. 13                     | 11. 40                      | 10. 13                    |
| \$4,000                               | 17. 34                        | 13. 87                     | 15. 60                      | 13. 87                    | 14. 72                         | 11. 78                     | 13. 25                      | 11. 78                    |
| \$5,000                               | 18. 43                        | 14. 74                     | 16. 59                      | 14. 74                    | 15. 96                         | 12. 77                     | 14. 36                      | 12. 77                    |
| \$6,000                               | 19. 47                        | 15. 58                     | 17. 53                      | 15. 58                    | 17. 42                         | 13. 93                     | 15. 68                      | 13. 93                    |
| \$7,000                               | 20. 49                        | 16. 39                     | 18. 44                      | 16. 39                    | 18. 46                         | 14. 77                     | 16. 61                      | 14. 77                    |
| \$8,000                               | 21. 49                        | 17. 20                     | 19. 34                      | 17. 20                    | 19. 71                         | 15. 77                     | 17. 74                      | 15. 77                    |
| \$9,000                               | 22. 48                        | 17. 99                     | 20. 24                      | 17. 99                    | 20. 69                         | 16. 55                     | 18. 62                      | 16. 55                    |
| \$10,000                              | 23. 47                        | 18. 77                     | 21. 12                      | 18. 77                    | 21. 85                         | 17. 48                     | 19. 67                      | 17. 48                    |
| \$11,000                              | 24. 44                        | 19. 55                     | 22. 00                      | 19. 55                    | 22. 80                         | 18. 24                     | 20. 52                      | 18. 24                    |
| \$12,000                              | 25. 41                        | 20. 33                     | 22. 87                      | 20. 33                    | 23. 91                         | 19. 13                     | 21. 52                      | 19. 13                    |
| \$13,000                              | 26. 42                        | 21. 13                     | 23. 78                      | 21. 13                    | 24. 85                         | 19. 88                     | 22. 36                      | 19. 88                    |
| \$14,000                              | 27. 45                        | 21. 96                     | 24. 70                      | 21. 96                    | 25. 99                         | 20. 79                     | 23. 39                      | 20. 79                    |
| \$15,000                              | 28. 47                        | 22. 77                     | 25. 62                      | 22. 77                    | 26. 98                         | 21. 58                     | 24. 28                      | 21. 58                    |
| \$20,000                              | 33. 23                        | 26. 58                     | 29. 90                      | 26. 58                    | 31. 97                         | 25. 57                     | 28. 77                      | 25. 57                    |
| \$25,000                              | 37. 45                        | 29. 96                     | 33. 70                      | 29. 96                    | 36. 33                         | 29. 06                     | 32. 70                      | 29. 06                    |
| \$30,000                              | 40. 88                        | 32. 71                     | 36. 79                      | 32. 71                    | 39. 90                         | 31. 92                     | 35. 91                      | 31. 92                    |
| \$40,000                              | 46. 06                        | 36. 85                     | 41. 46                      | 36. 85                    | 45. 24                         | 36. 20                     | 40. 72                      | 36. 20                    |
| \$50,000                              | 50. 27                        | 40. 22                     | 45. 25                      | 40. 22                    | 49. 59                         | 39. 67                     | 44. 63                      | 39. 67                    |
| \$60,000                              | 53. 75                        | 43. 00                     | 48. 37                      | 43. 00                    | 53. 15                         | 42. 52                     | 47. 84                      | 42. 52                    |
| \$70,000                              | 56. 63                        | 45. 31                     | 50. 97                      | 45. 31                    | 56. 10                         | 44. 88                     | 50. 47                      | 44. 88                    |
| \$80,000                              | 59. 16                        | 47. 32                     | 53. 24                      | 47. 32                    | 58. 67                         | 46. 94                     | 52. 81                      | 46. 94                    |
| \$90,000                              | 61. 43                        | 49. 15                     | 55. 52                      | 49. 58                    | 60. 99                         | 48. 79                     | 55. 11                      | 49. 20                    |
| \$100,000                             | 63. 54                        | 50. 83                     | 57. 61                      | 51. 63                    | 63. 13                         | 50. 50                     | 57. 23                      | 51. 28                    |
| \$150,000                             | 70. 54                        | 56. 43                     | 64. 51                      | 58. 37                    | 70. 26                         | 56. 20                     | 64. 25                      | 58. 13                    |
| \$200,000                             | 74. 28                        | 59. 42                     | 68. 18                      | 61. 95                    | 74. 06                         | 59. 25                     | 67. 98                      | 61. 77                    |
| \$250,000                             | 76. 71                        | 61. 37                     | 70. 56                      | 64. 25                    | 76. 54                         | 61. 23                     | 70. 40                      | 64. 11                    |
| \$300,000                             | 78. 33                        | 62. 67                     | 72. 14                      | 65. 79                    | 78. 19                         | 62. 55                     | 72. 01                      | 65. 67                    |
| \$400,000                             | 80. 36                        | 66. 28                     | 74. 57                      | 68. 65                    | 80. 25                         | 66. 18                     | 74. 47                      | 68. 56                    |
| \$500,000                             | 81. 58                        | 68. 49                     | 76. 04                      | 70. 39                    | 81. 49                         | 68. 41                     | 75. 95                      | 70. 31                    |
| \$750,000                             | 83. 20                        | 71. 44                     | 77. 99                      | 72. 71                    | 83. 15                         | 71. 39                     | 77. 94                      | 72. 66                    |
| \$1,000,000                           | 84. 01                        | 72. 92                     | 78. 96                      | 73. 87                    | 83. 97                         | 72. 88                     | 78. 93                      | 73. 83                    |
| \$2,000,000                           | 85. 23                        | 75. 14                     | 80. 43                      | 75. 61                    | 85. 21                         | 75. 12                     | 80. 41                      | 75. 59                    |
| \$5,000,000                           | 85. 50                        | 76. 46                     | 81. 00                      | 76. 50                    | 85. 50                         | 76. 46                     | 81. 00                      | 76. 50                    |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

\$1,000 or less, and the smallest relief will be received by persons with incomes of \$302,000 or more. A special exemption of \$500 is given to persons 65 and over who as a group have suffered with unusual severity as a result of the rise in the cost of living and the changes in the tax system since the beginning of the war.

## II. SUMMARY OF CHANGES IN EXISTING LAW

A comparison of the effective individual income-tax rates under present law, under H. R. 1 as it passed the House, and under H. R. 1 as amended by your committee is shown in table I. The rates proposed by your committee are shown both for the calendar year 1947 and for the calendar year 1948 and subsequent years.

Table II shows in summary fashion the reductions in taxes under the bill as passed by the House and as amended by your committee.

TABLE II.—A comparison of the reduction in individual income taxes provided by H. R. 1 as it passed the House and as amended by the Senate Finance Committee

| Persons with surtax net income of—                    | Reduction in tax under H. R. 1                          |  |   |
|---|---|--|---|
|   | As passed by House, calendar years 1947 and 1948        | As amended by the Senate Finance Committee             |   |
|   |   | Calendar year 1947                                     | Calendar year 1948                                      |
| \$0 to \$1,000.....                                   | 30 percent.....   | 15 percent.....  | 30 percent.   |
| \$1,000 to \$1,400 <sup>1</sup> .....                 | 30 percent to 20 percent.                               | 15 percent to 10 percent.                              | 30 percent to 20 percent.                               |
| \$1,400 <sup>1</sup> to \$79,700 <sup>2</sup> .....   | 20 percent.....   | 10 percent.....  | 20 percent.   |
| \$79,700 <sup>2</sup> to \$302,400 <sup>3</sup> ..... | 20 percent.....   | 7.5 percent <sup>5</sup> above \$79,700. <sup>2</sup>  | 15 percent above \$79,700. <sup>2</sup>                 |
| \$302,400 <sup>3</sup> and over.....                  | 10.5 percent <sup>4</sup> above \$302,400. <sup>3</sup> | 5.3 percent <sup>6</sup> above \$302,400. <sup>3</sup> | 10.5 percent <sup>4</sup> above \$302,400. <sup>3</sup> |

<sup>1</sup> The exact breaking point in surtax net income under the House bill and as provided by your committee for 1948 is \$1,395.83 and for 1947 under the bill as amended by your committee it is \$1,327.60.

<sup>2</sup> The exact breaking point in surtax net income under the bill as amended by your committee is \$79,728.40.

<sup>3</sup> The exact breaking point in surtax net income under both the House bill and the bill as amended by your committee is \$302,395.60.

<sup>4</sup> The exact percentage is between 10.52 percent and 10.53 percent.

<sup>5</sup> The exact percentage is between 7.36 percent and 7.37 percent.

<sup>6</sup> The exact percentage is between 5.25 percent and 5.27 percent.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The changes in existing individual income-tax law provided by H. R. 1 as amended by your committee are listed below. A somewhat more detailed description can be found in part VI of this report.

A. The present tax burdens of individuals are reduced as shown below. The great mass of wage earners will experience the benefit of the full reduction during the whole of the second half of the calendar year 1947, since under your committee bill withholding from wages at rates reflecting the full reduction starts on July 1, 1947. The committee bill will thus obviate the necessity for making refunds on that part of the 1947 tax which was collected or will be collected during the first 6 months of the calendar year 1947. However, since it is impracticable to split an income-tax year, the reductions actually computed under the bill for the full calendar year 1947 are approximately one-half those of subsequent years.

1. The tax on surtax net incomes of \$1,000 or less is reduced in the calendar year 1947 by 15 percent and in the calendar year 1948 by 30 percent. The reduction provided by the House amounted to 30 percent for both 1947 and 1948.

2. The tax on surtax net incomes of \$1,000 to about \$1,400 is reduced for the calendar year 1947 by an amount varying from 15 percent to 10 percent and for the calendar year 1948 by an amount varying from 30 percent to 20 percent. The reduction provided by the House varied from 30 percent to 20 percent for both 1947 and 1948.

3. The tax on surtax net incomes of about \$1,400 to about \$80,000 is reduced for the calendar year 1947 by 10 percent and for the calendar year 1948 by 20 percent. The reduction provided by the House amounted to 20 percent for both 1947 and 1948.

4. The tax on surtax net incomes of about \$80,000 to about \$302,000 is reduced for the calendar year 1947 by 10 percent on approximately the first \$80,000 of surtax net income and by about 7.5 percent on the remainder; for the calendar year 1948 by 20 percent on approximately the first \$80,000 of surtax net income and by 15 percent on the remainder. The reduction provided by the House amounted to 20 percent for both 1947 and 1948, the same reduction as that provided for persons with incomes between \$1,400 and \$80,000.

5. The tax on surtax net incomes of about \$302,000 and over is reduced for the calendar year 1947 by 10 percent on approximately the first \$80,000 of surtax net income, by about 7.5 percent on approximately the next \$223,000 of surtax net income, and by about 5.25 percent on the remainder; for the calendar year 1948 by 20 percent on approximately the first \$80,000 of surtax net income, by 15 percent on approximately the next \$223,000 of surtax net income, and by about 10.5 percent on the remainder. The reduction provided by the House for both 1947 and 1948 amounted to 20 percent on about the first \$302,000 of surtax net income and about 10.5 percent on the remainder.

B. Persons of 65 or over are given an additional exemption of \$500 beginning in 1947. The House bill provided a similar exemption for taxpayers 65 and over but required individuals who qualified for it to include in their gross income the first \$500 of any pensions, annuities, or officers' retirement pay which otherwise would not have been subject to tax under existing law. The latter requirement was omitted from the Senate bill.

### III. THE FISCAL OUTLOOK FOR THE FEDERAL GOVERNMENT IN 1947 AND 1948

#### 1. *Fiscal year 1947*

The fiscal outlook of the Federal Government for the year ending June 30, 1947, has undergone considerable change since the President submitted his budget message on January 3. That message contained a forecast of receipts for the fiscal year 1947 of \$40,230 million, expenditures of \$42,523 million and a deficit of \$2,293 million. However, subsequent collection and expenditure experience made it clear that in the budget message revenues had been underestimated and expenditures overestimated. This was confirmed by the President in a press release on April 19, 1947, containing the prediction that there would be a surplus of \$1,250 million. In going from a deficit of \$2,293 million to a surplus of \$1,250 million, the President revised his revenue estimates upward by \$2,270 million to \$42,500 million and his expenditures downward by \$1,273 million to \$41,250 million. The committee requested the staff of the Joint Committee on Internal

Revenue Taxation to make an independent estimate of collections in the fiscal year 1947. The results indicated that even the revised Treasury estimate of receipts is probably about \$1 billion too low, and that the surplus for the fiscal year 1947 is likely to be about \$2.3 billion.

The surplus in 1947 is significant for at least two reasons. First, it has been argued that tax reduction should be postponed until it is possible to balance the Budget and make some payment on the debt. The estimated surplus for 1947 indicates that these conditions will be met even before the fiscal year 1948 begins.

Second, the conditions which produced the high level of receipts for fiscal 1947 will favorably affect collections in the fiscal year 1948. The administration has indicated that a record high level of income payments in the latter part of the calendar year 1946 and forepart of calendar 1947 was a major reason for the unanticipated increase in receipts in the fiscal year 1947. Since a substantial portion of the receipts from the individual income tax and a still larger portion of those from the corporate income tax for any given year are based on the tax liabilities of the prior year, it is clear that even if income levels in the fiscal year 1948 are no higher than estimated by the Treasury, receipts in the fiscal year 1948 are certain to be above the Treasury's estimate as submitted in the Budget message. That estimate was based upon the assumption that income payments for the calendar year 1947 were \$166 billion. As a matter of fact the official estimate of income payments for the first quarter of the calendar year 1947 is \$176.9 billion. This does not take into account the wage adjustments which are now being made. It therefore appears unlikely that the April, May, and June levels will be much lower. Hence the Treasury forecast of \$166 billion for the calendar year 1947 appears to be considerably too low.

This bill as amended will have no significant effect on tax collections in the fiscal year 1947.

## 2. Fiscal year 1948

Table III shows the effects of H. R. 1 as passed by the House and as amended by your committee upon the Budget of the Federal Government in the fiscal year 1948, under two different assumptions concerning income payments:

TABLE III.—*The effect of H. R. 1 on the Budget of the Federal Government in the fiscal year 1948*

[In billions of dollars]

|   | Income payments in fiscal 1948 |                            |
|---|--------------------------------|----------------------------|
|   | \$165 billion <sup>1</sup>     | \$170 billion <sup>1</sup> |
| 1. Net receipts.....  | 40.3                           | 41.4                       |
| 2. Expenditures under Senate ceiling.....   | 33.0                           | 33.0                       |
| 3. Estimated surplus (No. 1 minus No. 2).....   | 7.3                            | 8.4                        |
| 4. Effect of H. R. 1 as passed by the House.....  | 4.8                            | 4.9                        |
| 5. Estimated surplus after effect of House bill (No. 3 minus No. 4).....                    | 2.5                            | 3.5                        |
| 6. Effect of Senate Finance Committee bill.....   | 3.1                            | 3.2                        |
| 7. Estimated surplus after effect of Senate Finance Committee bill (No. 3 minus No. 6)..... | 4.2                            | 5.2                        |

<sup>1</sup> Income payments in the first 6 months of calendar 1947 are assumed to be \$176 billion.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

For purposes of the legislative budget the Senate expenditure ceiling for the fiscal year 1948 is \$33 billion. With income payments at \$170 billion, receipts under present law are estimated at \$41.4 billion. This leaves a surplus of \$8.4 billion. With income payments of \$170 billion, H. R. 1 as amended by your committee will reduce revenues by \$3.2 billion, leaving \$5.2 billion for debt retirement and contingencies. H. R. 1 as passed by the House would leave \$3.5 billion for these purposes.

With the expenditure ceiling of \$33 billion fixed by the Senate, substantial debt retirement and the tax reduction provided by your committee would be possible even if income payments in the fiscal year 1948 should be as low as \$165 billion. At this level of income payments, receipts under present law would be \$40.3 billion. The loss under H. R. 1 as amended would be \$3.1 billion, leaving \$4.2 billion for debt retirement and contingencies. On this same basis H. R. 1 as it passed the House would leave \$2.5 billion for these purposes.

By unanimous action the Senate has endorsed a debt reduction of \$2.6 billion for the fiscal year 1948. Your committee believes that H. R. 1 as amended will give more adequate assurance that the debt reduction of \$2.6 billion will be realized. The bill is fashioned to meet the Senate view on debt and expenditure reduction.

Your committee believes that the estimate of the receipts for the fiscal year 1948 should be based upon a level of income payments of \$170 billion. This represents a decrease of about \$7 billion from the current level. The estimate of \$170 billion represents a conservative position. Allowances are made for some downturn in business, moderate price reductions, and some reduction in employment.

This forecast of \$170 billion for income payments in the fiscal year 1948 can be compared with an estimate of \$168 billion used by the Treasury Department in the preparation of its revenue estimates for this year. However, there is a great difference between your committee's judgment of what \$170 billion would mean in terms of business conditions and the Treasury's interpretation of its \$168 billion figure. The Treasury believes the latter represents "full employment" in an absolute sense. This is indicated by the Secretary's statement that there will be no room for expansion in the volume of output of goods and services during the fiscal year 1948.

As noted above, income payments during the first quarter of the calendar year 1947 were \$176.9 billion. When confronted with the question as to why a continuance of the present levels of employment and output would not produce income payments in the fiscal year 1948 of at least \$176 billion, the Secretary replied that price reductions were anticipated. This reduction in selling prices, combined with the Secretary's assumption that no expansion in volume of output was possible, enabled him to conclude that a level of income payments of \$168 billion was consistent with a forecast of full employment and maximum production.

Other statements inserted in the testimony of Dr. Haas, Director of the Division of Research and Statistics of the Treasury Department, imply that the price cuts which the Secretary has in mind will take place before the end of the present fiscal year. On page 58 of the hearings the following statement appears:

The income level in June 1948 was assumed to reach an annual rate of \$169 billions, rising gradually through the fiscal year.

If income payments are to reach an annual rate in June 1948 of \$169 billion, average \$168 billion for the period July 1947 to June 1948, and "rise gradually" during this same period, it is inevitable that the level in July 1947 must be \$167 billion. This means that the level of income payments must drop by about \$10 billion between May 1947 and July 1947. The Secretary's testimony indicates that this will take place as a result of price cuts and that there will be no untoward repercussions in employment or the volume of business activity.<sup>2</sup>

In the opinion of your committee the Secretary's forecast has certain weaknesses. The economy is not as fully employed as the Secretary seems to believe. Unemployment as reported by the Department of Commerce is running now at about 2,400,000 persons. This compares with 650,000 persons during the autumn of 1944, when it can reasonably be said that the economy was fully employed in a fairly absolute sense. Moreover, since the fall of 1944, the average weekly hours of workers in manufacturing industry have dropped from 45 to 40. In the opinion of your committee there is more room for expansion in the volume of output than the Secretary seems to believe.

The Secretary's assumption that substantial cuts in prices will take place in the immediate future is open to question on several grounds. First the price-cut program is a voluntary one which to date at least has not been generally accepted. Therefore its future effectiveness certainly is not assured. Second, the Secretary seems to believe that the price-cutting program can be realized in spite of the wage increases which are now being made. The validity of this assumption is by no means obvious. Third, the Secretary's belief that a general price reduction can occur without raising the level of production is based on what your committee considers an unsound premise, namely that we have reached an absolute maximum volume of output. Fourth, if general price reduction should be accomplished without increasing the volume of output, it appears likely that the additional funds in the hands of the consumers, would result in prices being bid up again. The committee is unwilling to rely exclusively on price cutting in trying to prevent deflation.

If your committee believed it advisable to base its estimates for the fiscal year 1948 on the continuance of the present levels of employment and output, as the Secretary of the Treasury has done, it would forecast income payment estimates for the fiscal year 1948 of between \$175 billion and \$180 billion.

#### IV. SUMMARY OF ESTIMATED REVENUE EFFECT OF TAX REDUCTION

With an income payment level of \$170 billion, individual income tax liabilities under your committee's bill are estimated at about \$13,700 million on the basis of the full rate reduction, or \$15,600

<sup>2</sup> Your committee has difficulty reconciling the Secretary's opinion that this price adjustment can take place without a recession with certain other implications of his testimony. The Secretary forecast a level of income payments of \$166 billion for the calendar year 1947. Income payments during the first quarter of this calendar year were about \$177 billion at an annual rate. Therefore the remaining three quarters must average \$162 billion. Dr. Haas' statement cited above implies that the income payments during the last half of this calendar year must average between \$167 billion and \$168 billion. This leaves only the second quarter of the year unaccounted for. To arrive at the average of \$166 for the full year, it is necessary to have an average level of income payments during the second quarter of about \$153 billion. Since the quarter will begin at a level around \$177 billion, an average for the quarter of \$153 billion requires a low point during the quarter of between \$120 billion and \$130 billion. The drop from \$177 billion to \$120 billion, or \$130 billion within the space of 1 or 2 months is clearly inconsistent with the Secretary's notion that the only readjustment called for is in selling prices.

million with half of the full rate reduction.<sup>3</sup> The "half" reduction is effective for calendar year 1947 and the "full" reduction for 1948 and subsequent calendar years. This represents a liability reduction from present law of about \$2,100 million in the case of the "half" reduction and \$4,000 million with the "full" reduction.<sup>4</sup> On the basis of income payments of \$170 billion, H. R. 1 as it passed the House would reduce the liabilities under present law by about \$4,000 million. Table IV shows the changes in liabilities resulting from the House and Finance Committee bills with income payments of \$170 billion and \$165 billion. Tables showing the distribution of liabilities among different income groups are shown in part VII of this report.

TABLE IV.—*Estimated individual income tax liability under present law, H. R. 1 as it passed the House, and the Senate Finance Committee bill*

[In billions of dollars]

| Level of income payments assumed <sup>1</sup> | Estimated liability under— |   |                                  |                                  | Reduction in liability under—  |                                  |                                  |
|---|----------------------------|---|----------------------------------|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
|   | Present law                | H. R. 1 as passed by the House <sup>2</sup> | Senate Finance Committee bill    |                                  | H. R. 1 as passed by the House | Senate Finance Committee bill    |                                  |
|   |                            |   | Half-rate reduction <sup>3</sup> | Full-rate reduction <sup>4</sup> |                                | Half-rate reduction <sup>3</sup> | Full-rate reduction <sup>4</sup> |
| \$165.....                                    | \$16.9                     | \$13.0                                      | \$14.9                           | \$13.0                           | \$3.8                          | \$2.0                            | \$3.8                            |
| \$170.....                                    | 17.8                       | 13.7  | 15.6                             | 13.7                             | 4.0                            | 2.1                              | 4.0                              |

<sup>1</sup> The liability estimates are shown uniformly on income payment levels of \$165 billion and \$170 billion for comparative purposes only. They do not represent forecasts for the periods involved.

<sup>2</sup> Effective in 1947 and subsequent years.

<sup>3</sup> About one-half of the rate reduction and all of the increase in exemptions is made effective in the calendar year 1947.

<sup>4</sup> The full reduction in rates is effective in calendar year 1948 and subsequent years. This reduction is somewhat smaller than that provided under H. R. 1 as passed by the House, but when the data are rounded the differences disappear.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The proposed tax reduction expressed on a liability basis indicates the decrease in the obligations incurred by taxpayers during the year. The reduction expressed on a collection basis indicates the actual loss in the receipts of the Government during that year. The former is useful in illustrating the ultimate effect of the reduction. The latter is necessary to determine the immediate effect of the reduction on the Federal Budget.

Table V presents the effects of the tax reduction proposed by the House and by your committee on a collection basis for the fiscal year 1948 under different assumptions of income payments. For the purposes of this report it is assumed that the level of income payments in the first half of the calendar year 1947 will be \$176 billion and in the fiscal year 1948, \$170 billion. On this basis, it is estimated that your committee's bill will reduce collections in the fiscal year 1948 by \$3,200 million. The bill as passed by the House would reduce collections (or increase refunds) by \$4,900 million.

<sup>1</sup> Both figures are shown on an income payment level of \$170 billion for comparative purposes.

<sup>2</sup> Although the rate reduction is halved in 1947, the additional exemption is not. Thus the reduction in liabilities in 1948 is not quite twice the reduction in 1947.

TABLE V.—*Comparison of the effect of H. R. 1 as it passed the House with the Senate Finance Committee bill on fiscal year 1948 collections*

(In billions of dollars)

| Level of income payments in billions of dollars in— |                  | Reduction in collections and increase in refunds in the fiscal year 1948 under— |                               | Excess of budgetary loss under H. R. 1 as it passed the House over loss under Senate Finance Committee bill |
|---|------------------|---|-------------------------------|---|
| The first half of calendar 1947                     | Fiscal year 1948 | H. R. 1 as it passed the House  | Senate Finance Committee bill |   |
| \$165 -----   | \$165 -----      | \$4.6   | \$2.9                         | \$1.7   |
| \$176 -----   | \$165 -----      | 4.8   | 3.1                           | 1.7   |
| \$176 -----   | \$170 -----      | 4.9   | 3.2                           | 1.7   |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The chief reason for the greater reduction in collections (or increase in refunds) under the House bill is the fact that it makes the "full" reduction effective for the entire calendar year 1947. Your committee's bill has approximately the same effect as providing the reduction for only the last half of the calendar year 1947.

With minor exceptions, the collections made in the fiscal year 1948 are composed of part of the liabilities incurred in the fiscal year 1947, and part of the liabilities incurred in the fiscal year 1948. Similarly, part of the reduction in the fiscal year 1947 liabilities, and part of the reduction in the fiscal year 1948 liabilities, are reflected in lower collections in the fiscal year 1948. On the other hand, part of the reduction in liability in the fiscal year 1947 is reflected in lower collections in the fiscal year 1947, and part of the reduction in the fiscal year 1948 liabilities is reflected in lower collections in the fiscal year 1949.

The estimates presented above do not take into consideration the stimulating effect which this bill will have upon the economy. As a result, it appears likely that the revenue losses involved have been overstated.

## V. GENERAL DISCUSSION OF RECOMMENDED INDIVIDUAL INCOME TAX REDUCTIONS

### 1. *Why a tax reduction is needed now*

Much of the discussion in your committee's hearings was concerned with the problem of whether a tax reduction is appropriate at the present time. This discussion was concerned with the economic effects of a tax reduction and its implications with respect to debt retirement.

A tax reduction at the present time should appear particularly desirable to those who hold the view that a down-turn in business conditions is likely during the fiscal year 1948.

There is a good deal of uncertainty among those holding this view as to whether the downturn will begin shortly or whether some time will elapse before the turning point is reached. In any case a tax reduction will be a hedge against recession and cumulative deflation, and should be enacted now. A tax reduction cannot become fully effective until some time after the legislation is enacted. In the hearings before the House Ways and Means Committee, the Secretary of the Treasury suggested that it takes 12 months for the full

economic effects of a tax reduction to be realized. It should be noted that this lag in the economic effectiveness of a tax reduction means that even if inflationary factors, due to temporary shortages of materials and manpower, should continue to be important in the next few months, they would not be aggravated by a tax reduction now.

Moreover, those who predict some recession should keep in mind that Congress might not be in session if the downturn in business conditions occurred or action by Congress might of necessity be delayed. This, combined with the lag in the economic effectiveness of a tax reduction, suggests that its postponement might well mean that no counteractive tax measures could be taken until a drastic deflation was well under way.

It is argued by some that no matter how large the surplus in the fiscal year 1948 turns out to be, all of it should be used for debt-retirement purposes. Your committee attempted vainly to obtain an expression of opinion from the Secretary of the Treasury on this issue. While debt retirement is highly desirable from the point of view of maintaining the credit status of the Government, it must not be forgotten that one short-run effect of this action is to reduce consumer purchasing power. When the economy appears to be in danger of receding from a high level of operation, a very large debt retirement carried out during a short period of time may well be a major factor in precipitating a recession. For this reason it appears desirable to make a contribution to the credit status of the Government by carrying out a substantial amount of debt retirement in the fiscal year 1948, and also to provide against a recession in business conditions by a concurrent tax reduction. The latter will not only offset the loss of consumer purchasing power inherent in the debt-retirement process, but also stimulate the investment and managerial efforts of the business community which are essential to the continuance of the present levels of production and employment.

### *2. Why the reduction should be made in the individual income tax*

Your committee agrees with the House Ways and Means Committee that it is desirable to concentrate any reduction which can be made at this time in the individual income tax. Only through the individual income tax is it possible to give relief to all persons bearing heavy tax burdens.

Furthermore, a reduction in the individual income tax is the only way in which a reduction can be made in a single tax which will both increase consumer purchasing power and stimulate investment and managerial initiative.

### *3. Why the type of reduction provided in this bill was selected*

The reduction in the individual income tax should be made in a fashion which is economically desirable. It should be effective in increasing purchasing power and stimulating venture capital and managerial initiative.

The additional income placed in the hands of the consumers by this bill will act as a check on any recession that may be forecast for the fiscal year 1948, and will tend to offset the reduction in consumer purchasing power which is involved in the debt-retirement operation. The importance of the effect of this bill on consumer purchasing power is shown in table VI, which indicates that 64 percent of the reduction

will be given to persons with incomes of \$5,000 or less, the primary source of consumer purchasing power.

TABLE VI.—*Estimated percentage distribution of the individual income tax liability and taxpayers under present law, and of total tax reduction under the House bill, and your committee's bill with a full year's reduction in tax (with assumed income payments of \$170 billion)*

| Net income class          | Percentage distribution of— |                                  |                        |                        |
|---------------------------|-----------------------------|----------------------------------|------------------------|------------------------|
|                           | Total tax-payers            | Total tax paid under present law | Total reduction under— |                        |
|                           |                             |                                  | House bill             | Finance Committee bill |
| \$0 to \$2,000.....       | 52.7                        | 17.5                             | 24.0                   | 24.5                   |
| \$2,000 to \$5,000.....   | 43.4                        | 39.3                             | 38.5                   | 39.5                   |
| \$5,000 to \$10,000.....  | 2.6                         | 8.2                              | 7.5                    | 7.6                    |
| \$10,000 to \$25,000..... | 1.1                         | 12.0                             | 10.6                   | 10.7                   |
| \$25,000 and over.....    | .2                          | 23.0                             | 19.4                   | 17.7                   |
| Total.....                | 100.0                       | 100.0                            | 100.0                  | 100.0                  |

Source: Staff of the Joint Committee on Internal Revenue Taxation

Your committee also is impressed with the long-run need for a stimulus to investment and managerial initiative. The extent of the stimulus provided by H. R. 1 as amended can best be seen by examining the proposed reduction in marginal tax rates; i. e., the rates on the top dollar of income received. In deciding whether or not to make a new investment or to take on added managerial responsibilities, it is these marginal rates with which the investor or manager will be concerned. They determine the additional tax he will have to pay on any additional income which he receives.

Table VII shows that the marginal tax rates are substantially lower under the bill than under existing law. For example, in 1948 an individual already having surtax net income of \$18,000 will be taxed at 40 percent on additional income under the bill, rather than 50 percent as under present law. It is believed that this will make him less hesitant in assuming the risks of new investment. Similarly, an individual with a surtax net income of \$100,000 will be more likely to make an investment if the additional return is taxed at 72 percent rather than at the 85 percent provided by existing law. It is believed that the reduced marginal rates also will have the effect of encouraging business managers to take on added responsibilities and work harder to make their businesses a success.

The amount of spendable income remaining after paying taxes is another measure of the effect of taxes on investment and managerial incentives. Table XI in part VII shows the spendable income left after taxes at various levels and the percent this is of income before taxes under both present law and your committee's bill. For example, a single individual with a net income of \$20,000 under present law retains about 67 percent of this income after paying taxes, and in 1948 under your committee's bill, about 73 percent. A single individual with a net income of \$70,000 under present law has about 43 percent of his income left after paying his taxes and in 1948 under your committee's

bill, 55 percent. The small percentage of net income left after taxes under existing law so reduces the advantage of making risky new investments or exercising managerial initiative as to serve as a strong deterrent to the maintenance of a high level of business activity. Under your committee's bill the taxpayer retains a larger portion of his income after taxes. This constitutes the first major step toward the removal of the deterrents to investment and initiative in present law.

TABLE VII.—Comparison between the marginal rates of the individual income tax under present law, the House bill, and the Senate Finance Committee bill

| Surtax net income                            |                        | Marginal rates |                  |                        |                           |
|--|------------------------|----------------|------------------|------------------------|---------------------------|
| From—  | To—                    | Present law    | House bill       | Finance Committee bill |                           |
|  |                        |                |                  | 1947                   | 1948 and subsequent years |
| \$0  | \$1,000                | 19.0           | 13.3             | 16.1                   | 13.3                      |
| \$1,000                                      | \$1,400 <sup>1</sup>   | 19.0           | ( <sup>2</sup> ) | ( <sup>3</sup> )       | ( <sup>2</sup> )          |
| \$1,400 <sup>1</sup>                         | \$2,000                | 19.0           | 15.2             | 17.1                   | 15.2                      |
| \$2,000                                      | \$4,000                | 20.9           | 16.7             | 18.8                   | 16.7                      |
| \$4,000                                      | \$6,000                | 24.7           | 19.8             | 22.2                   | 19.8                      |
| \$6,000                                      | \$8,000                | 28.5           | 22.8             | 25.6                   | 22.8                      |
| \$8,000                                      | \$10,000               | 32.3           | 25.8             | 29.1                   | 25.8                      |
| \$10,000                                     | \$12,000               | 36.1           | 28.9             | 32.5                   | 28.9                      |
| \$12,000                                     | \$14,000               | 40.9           | 32.7             | 36.8                   | 32.7                      |
| \$14,000                                     | \$16,000               | 44.7           | 35.8             | 40.2                   | 35.7                      |
| \$16,000                                     | \$18,000               | 47.5           | 38.0             | 42.8                   | 38.0                      |
| \$18,000                                     | \$20,000               | 50.4           | 40.3             | 45.3                   | 40.3                      |
| \$20,000                                     | \$22,000               | 53.2           | 42.6             | 47.9                   | 42.6                      |
| \$22,000                                     | \$26,000               | 56.1           | 44.8             | 50.4                   | 44.8                      |
| \$26,000                                     | \$32,000               | 58.9           | 47.1             | 53.0                   | 47.1                      |
| \$32,000                                     | \$38,000               | 61.8           | 49.4             | 55.6                   | 49.4                      |
| \$38,000                                     | \$44,000               | 65.6           | 52.5             | 59.0                   | 52.4                      |
| \$44,000                                     | \$50,000               | 68.4           | 54.7             | 61.6                   | 54.7                      |
| \$50,000                                     | \$60,000               | 71.3           | 57.0             | 64.1                   | 57.0                      |
| \$60,000                                     | \$70,000               | 74.1           | 59.3             | 66.7                   | 59.3                      |
| \$70,000                                     | \$79,700 <sup>4</sup>  | 77.0           | 61.6             | 69.3                   | 61.6                      |
| \$79,700 <sup>4</sup>                        | \$80,000               | 77.0           | 61.6             | 71.3                   | 65.4                      |
| \$80,000                                     | \$90,000               | 79.8           | 63.8             | 73.9                   | 67.8                      |
| \$90,000                                     | \$100,000              | 82.7           | 66.2             | 76.6                   | 70.3                      |
| \$100,000                                    | \$150,000              | 84.6           | 67.7             | 78.3                   | 71.9                      |
| \$150,000                                    | \$200,000              | 85.5           | 68.4             | 79.2                   | 72.7                      |
| \$200,000                                    | \$302,400 <sup>5</sup> | 86.5           | 69.2             | 80.1                   | 73.5                      |
| \$302,400 <sup>5</sup> and over <sup>6</sup> |                        | 86.5           | 77.3             | 81.9                   | 77.3                      |

<sup>1</sup> The exact breaking point in surtax net income under the House bill and as provided by your committee for 1948 is \$1,395.83. Under the bill as amended by your committee the breaking point for 1947 is \$1,327.60.

<sup>2</sup> Incomes in this bracket receive a flat reduction of \$67 from the tentative tax.

<sup>3</sup> Incomes in this bracket receive a flat reduction of \$38.50 from the tentative tax.

<sup>4</sup> The exact breaking point in surtax net income under the bill as amended by your committee is \$79,728.40.

<sup>5</sup> The exact breaking point in surtax net income under both the House bill and the bill as amended by your committee is \$302,395.60.

<sup>6</sup> It should be borne in mind that the tax is subject to a ceiling of 81.5 percent of surtax net income under existing law, 76.5 percent under the House bill and under the Finance Committee's bill in 1948 and subsequent years, and 81 percent in 1947 under the Finance Committee bill.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The need for stimulating managerial incentives and the investment of venture capital is a major reason for the proposed reduction in the taxes of individuals in the middle and upper brackets. The decisions of the executives who receive relative large salaries are of greatest importance with reference to the development of industrial production. The savings of the middle and upper bracket income recipients are the principal sources of the venture capital for business expansion.

A study by the Bureau of Labor Statistics for the year 1941<sup>5</sup> brings out the fact that the great bulk of the relatively speculative business investments are made by individuals with incomes of \$10,000 and over. Individuals with such incomes accounted for no less than 89 percent of the investments in stocks, bonds, and unincorporated business made by the entire group covered in the study. Persons with smaller incomes not only save relatively little,<sup>6</sup> but are apt to keep what they do save in cash, Government bonds, insurance policies, savings accounts, etc. They cannot afford to assume the additional risks which speculative investments entail.

*4. Why the full reduction was not allowed for the calendar year 1947*

H. R. 1 as it passed the House provided for a retroactive tax reduction effective January 1, 1947. Your committee has amended the bill in a manner which roughly has the same effect as making the reduction on July 1, 1947. Stated more accurately your committee amended the bill to provide a reduction for the entire calendar year 1947 which is one-half as large as the reduction provided for the calendar year 1948. It is provided that the withholding tables set up in the House version of this bill shall go into effect July 1, 1947.

The principal reason for this amendment to the House bill is that it reduces the budgetary effect of H. R. 1 in the fiscal year 1948. Under the House version of the bill the revenue loss, in the form of reduced collections and increased refunds, would amount to \$4.9 billion with income payments at \$170 billion. Under the bill as amended by your committee, the reduction for the fiscal year 1948 with the same income payments, will amount to \$3.2 billion.

This amendment will also eliminate the necessity for most of the tax refunds which would have occurred in the fiscal year 1948 as a result of the enactment of the House bill. A reduction which is retroactive to January 1, 1947, results in an overpayment of the tax due during the time intervening between January 1 and the date when the new withholding tables used in collecting the tax go into effect. It has been estimated that the resulting additional refunds would amount to \$450 million. The method of reduction recommended by your committee would practically eliminate such refunds.

The stimulus to business which this bill brings results from the additional incentive to managerial initiative and the investment of venture capital. This stimulus consists primarily of the knowledge that from now on the net return allowed on a successful venture and the net reward paid for outstanding managerial achievement is going to be substantially greater than in the past. While the refunds provided by the retroactive feature are considerable, they occur only once and hence offer no continuing stimulus to plans for future investment or managerial action.

<sup>5</sup> U. S. Bureau of Labor Statistics bulletin No. 822, Family Spending and Saving in Wartime.

<sup>6</sup> The BLS study indicated that 74 percent of the total saving was done by persons with incomes of \$10,000 and over.

*5. Why an exemption is needed for persons aged 65 and over*

Your committee's bill introduces an additional exemption of \$500 for each person who attained the age of 65 before the end of the taxable year. The exemption will benefit 3,700,000 taxpayers and will remove 1,400,000 persons from the rolls. The heavy concentration of small incomes among such persons reflects the fact that as a group they are handicapped in an economic if not in a physical sense. They have suffered with unusual severity as a result of the 54-percent rise in the cost of living and the changes in the tax system which have occurred since the beginning of the war. Unlike younger persons, the bulk of those who have attained the age of 65 were unable to compensate for price and tax changes during recent years by accepting full-time jobs at prevailing high rates of wages. For these reasons your committee believes that special relief is warranted at this time for persons who have attained the age of 65.

At the hearings on this bill the Secretary of the Treasury did not oppose the giving of special relief to persons aged 65 or over but argued that the appropriate method of doing so would be action under the Social Security Act. It is worth noting that the coverage of the social-security legislation is by no means universal. Relief under it would not extend to a great number of the people over 65 who now find themselves in an unusually straitened condition.

The Treasury has taken exception to the special exemption for persons aged 65 or over on the ground that it constitutes class legislation. It is difficult to see how the Treasury can take this view after having indicated it is studying the following types of class legislation: individual income tax exemptions, the treatment of family incomes, the taxation of pensions and annuities, the earned income credit, the special taxation of capital gains and losses, the taxation of small business, the double taxation of dividends, the taxation of American corporations doing business abroad, the taxation of cooperatives and other tax exempt organizations, the 2-percent tax on consolidated returns, and the 85-percent credit for intercorporate dividends received.

The \$500 exemption for all persons in this age group appears to be a more appropriate method of bringing relief than an extension of the system of exclusions for the benefit of particular types of income used under existing law. Certain persons who have attained the age of 65 are already benefiting by these exclusions. For instance, the annuities under the Railroad Retirement Act and the pay of Army and Navy officers retired by reason of medical survey have been excluded from gross income in full by statutory enactment. Benefits under the old-age and survivors' insurance system of the Social Security Act have been excluded by a Treasury decision. The presence of exclusions of this type has brought an insistent demand for the extension of similar treatment to other types of retirement income, such as the pensions and annuities received by former employees of State and local governments, retired school teachers, and beneficiaries under the civil service retirement fund of the Federal Government. Your committee recognizes that existing exclusions work a discrimination against persons having attained the age of 65 who are receiving other types of income, but believes that a general exemption of \$500 for all taxpayers in this group is preferable to the piecemeal extension of exclusions for the benefit of particular types of income.

H. R. 1 as passed by the House contained a provision which in effect was intended to keep persons receiving more than \$500 of certain types of excludable income from obtaining the benefits of the new \$500 exemption. The House bill required a taxpayer who qualified for the new \$500 exemption to include in his gross income an amount up to \$500 received during the taxable year from certain pensions, annuities or retirement pay which, but for this bill, would have been excluded in full from gross income. Your committee is in complete accord with the general objective of this provision.

However, due to the difficulty of determining the types of exempt income covered by this provision and the administrative difficulties raised by the Treasury, it was deemed advisable to defer action on this problem to a later bill. The committee is of the opinion that some remedy for the discrimination now existing between recipients of various types of retirement income must be found, and will consider this matter fully in connection with the next general revenue bill. The allowance of the additional \$500 exemption for persons over 65 may well constitute a sufficient basis for removing the exclusions provided under existing law and Treasury rulings.

H. R. 1, as it passed the House, provided that the special exemption for persons aged 65 or over was to be allowed only with respect to persons whose gross income was \$500 or more. This feature of the House bill involves substantial inequity. This can be shown most clearly by comparing two couples where both husband and wife are over 65 but where one wife has gross income in excess of \$500 while the other wife's income is slightly less than \$500. The House bill would bring the first couple an extra exemption of \$1,000, the second couple one of \$500. This would occur, even though the joint incomes of the two couples were the same.

To eliminate this inequity your committee has amended the House bill so as to allow the \$500 deduction with respect to all persons 65 years of age or more regardless of the amount of their gross income.

## VI. CHANGES IN EXISTING LAW

Table VIII compares the reduction in tentative tax and in actual tax payable under present law with that under H. R. 1 as amended by your committee. The changes in present individual income tax law provided under H. R. 1 are discussed below.

TABLE VIII.—The reductions in tentative taxes and actual taxes under H. R. 1, as amended by the Senate Finance Committee

| Surtax net income                               | Tentative tax                              | Reduction in tentative tax under present law | Reduction in tentative tax under H. R. 1 as amended by Senate Finance Committee            |   | Actual tax reduction under H. R. 1 as amended by Senate Finance Committee  |   |
|---|--|--|--|---|--|---|
|   |  |  | Calendar year 1947   | Calendar year 1948  | Calendar year 1947   | Calendar year 1948  |
| \$0 to \$1,000                                  | \$0 to \$200                               | Percent 5                                    | 19.25 percent  | 33.5 percent  | 15 percent   | 30 percent  |
| \$1,000 to \$1,400 <sup>1</sup>                 | \$200 to \$265.52 or \$279.17 <sup>2</sup> | 5  | \$38.50  | \$67  | 15 percent to 10 percent   | 30 percent to 20 percent  |
| \$1,400 <sup>1</sup> to \$79,700 <sup>3</sup>   | \$279.17 to \$50,000                       | 5  | 14.5 percent   | 24 percent  | 10 percent   | 20 percent  |
| \$79,700 <sup>3</sup> to \$302,400 <sup>4</sup> | \$50,000 to \$250,000                      | 5  | 14.5 percent on first \$50,000 and 12 percent on remainder.                                | 24 percent on first \$50,000 and 19.25 percent on remainder.                                | 10 percent on first \$79,700 <sup>3</sup> of income, and 7.5 percent <sup>5</sup> on remainder.  | 20 percent on first \$79,700 <sup>3</sup> of income and 15 percent on remainder.  |
| \$302,400 <sup>4</sup> and over                 | \$250,000 and over                         | 5  | 14.5 percent on first \$50,000, 12 percent on next \$200,000, and 10 percent on remainder. | 24 percent on first \$50,000, 19.25 percent on next \$200,000, and 15 percent on remainder. | 10 percent on first \$79,700 <sup>3</sup> of income, 7.4 percent <sup>6</sup> on the next \$223,000, <sup>5</sup> and about 5.3 percent <sup>7</sup> on remainder. | 20 percent on first \$79,700 <sup>3</sup> of income, 15 percent on the next \$223,000 and 10.5 percent <sup>8</sup> on remainder. |

<sup>1</sup> The exact breaking point in surtax net income under the House bill and as provided by your committee for 1948 is \$1,395.83 and for 1947 under the bill as amended by your committee is \$1,327.60.  
<sup>2</sup> The maximum tentative tax in the "notch" is \$265.52 in calendar year 1947 and \$279.17 in calendar year 1948.  
<sup>3</sup> The exact breaking point in surtax net income under the bill as amended by your committee is \$79,728.40.  
<sup>4</sup> The exact breaking point in surtax net income under both the House bill and the bill as amended by your committee is \$302,395.60.

<sup>5</sup> The exact amount of tax reduction on surtax net income between \$79,728.40 and \$302,395.61 for the calendar year 1947 is between 7.36 and 7.37 percent.  
<sup>6</sup> The exact amount is \$22,667.20, the difference between \$302,395.60 and \$79,728.40.  
<sup>7</sup> The exact percentage reduction in 1947 on surtax net income in excess of \$302,395.60 is between 5.26 and 5.27 percent.  
<sup>8</sup> The exact percentage reduction in 1948 and subsequent years on surtax net income in excess of \$302,395.60 is between 10.52 and 10.53 percent.  
 Source: Staff of the Joint Committee on Internal Revenue Taxation.

*1. A reduction in 1947 of 15 percent and in 1948 of 30 percent of the tax for individuals with surtax net income of \$1,000 or less*

Under the bill the combined tentative normal tax and surtax of individuals having a tentative tax of \$200 or less is reduced by 19.25 percent for the calendar year 1947, and 33.5 percent for the calendar year 1948 and subsequent years. These reductions are in lieu of the 5-percent reduction provided by present law. They, in effect, reduce the tax burden for individuals with \$1,000 of surtax net income or less by 15 percent in 1947, and by 30 percent in 1948. The tax on \$1,000 of surtax net income under the bill would be \$161.50 in 1947 and \$133 in 1948 and subsequent years, in place of the present tax of \$190. Thus the maximum reduction for any individual as a result of the 15-percent cut in 1947 is \$28.50, and in the case of the 30-percent cut in 1948 and subsequent years, \$57.

For example, a single person with no dependents having a net income of \$1,200 would compute his tax as follows, if he were one of the few required to compute his own tax:

|  | 1947         | 1948 and subsequent years |
|--|--------------|---------------------------|
| 1. Net income.....   | \$1, 200. 00 | \$1, 200. 00              |
| 2. Personal exemption.....   | 500. 00      | 500. 00                   |
| 3. Surtax net income (No. 1—No. 2).....  | 700. 00      | 700. 00                   |
| 4. Tentative tax (20 percent of No. 3).....  | 140. 00      | 140. 00                   |
| 5. Reduction in tentative tax under bill (19.25 percent in 1947 and 33.5 percent in 1948)..... | 26. 95       | 46. 90                    |
| 6. Tax under bill (No. 4—No. 5).....   | 113. 05      | 93. 10                    |

The reduction for surtax net incomes of \$1,000 or less provided by your committee for 1948 and subsequent years is the same as that provided in H. R. 1 as it passed the House. However the reduction provided in your committee's bill for 1947 is one-half the reduction provided for 1947 in H. R. 1 as it passed the House.

*2. A reduction in 1947 varying from 15 percent to 10 percent and in 1948 varying from 30 percent to 20 percent of the tax on surtax net income between \$1,000 and about \$1,100*

Under the bill if the combined tentative normal tax and surtax of an individual in the calendar year 1947 is between \$200 and \$265.53, his tentative tax is reduced by \$38.50. In the calendar year 1948 and subsequent years if his combined normal tax and surtax is between \$200 and \$279.18, his tentative tax is reduced by \$67. These decreases in tax reduction, as income increases, arise from the fact that flat reductions are given in lieu of the 5-percent reduction in tax. In effect, tax reductions are given to individuals which in 1947 range from 15 percent for those with surtax net incomes of \$1,000 to 10 percent for those with surtax net incomes of \$1,327.60, and in 1948 range from 30 percent for those with surtax net incomes of \$1,000 to 20 percent for those with surtax net incomes of \$1,395.83. For example, a married person with no dependents having a net income of \$2,200 would compute his tax as follows, if he is one of the few required to compute his own tax:

|   | 1947         | 1948 and subsequent years |
|---|--------------|---------------------------|
| 1. Net income.....                            | \$2, 200. 00 | \$2, 200. 00              |
| 2. Personal exemptions.....                   | 1, 000. 00   | 1, 000. 00                |
| 3. Surtax net income (No. 1—No. 2).....       | 1, 200. 00   | 1, 200. 00                |
| 4. Tentative tax (20 percent of No. 3).....   | 240. 00      | 240. 00                   |
| 5. Reduction in tentative tax under bill..... | 38. 50       | 67. 00                    |
| 6. Tax under bill (No. 4—No. 5).....          | 201. 50      | 173. 00                   |

The reduction for surtax net incomes between \$1,000 and \$1,395.84 provided by your committee for 1948 and subsequent years is the same as that provided in H. R. 1 as it passed the House. However, the reduction provided in your committee's bill for 1947 for similar surtax net incomes is about one-half the reduction provided for 1947 in H. R. 1 as it passed the House.

3. *A reduction in 1947 of 10 percent and in 1948 of 20 percent for individuals with surtax net incomes between about \$1,400 and about \$80,000*

Under the bill in the calendar year 1947 an individual with a combined tentative normal tax and surtax between \$265.52 and \$50,000 receives a 14.5-percent reduction in his tentative tax. In the calendar year 1948 and subsequent years an individual with a combined tentative normal tax and surtax between \$279.17 and \$50,000 receives a 24-percent reduction in his tentative tax. These reductions are in lieu of the 5-percent reduction allowed under present law. Individuals with surtax net incomes in 1947 between \$1,327.60 and \$79,728.41 receive a 10-percent reduction in their tax burden. In 1948, if their surtax net incomes are between \$1,395.83 and \$79,728.41, they receive a 20-percent reduction in their tax burden.

For example, a married person with no dependents having a net income of \$4,000 would compute his tax as follows, if he were one of the few required to compute his own tax:

|  | 1947         | 1948 and subsequent years |
|--|--------------|---------------------------|
| 1. Net income.....   | \$4, 000. 00 | \$4, 000. 00              |
| 2. Personal exemption.....   | 1, 000. 00   | 1, 000. 00                |
| 3. Surtax net income.....  | 3, 000. 00   | 3, 000. 00                |
| 4. Tentative tax (\$2,000 of surtax net income at 20 percent and \$1,000 at 22 percent)..... | 620. 00      | 620. 00                   |
| 5. Reduction in tentative tax under bill (14.5 percent in 1947 and 24 percent in 1948).....  | 89. 90       | 148. 80                   |
| 6. Tax under bill (No. 4—No. 5).....   | 530. 10      | 471. 20                   |

The reduction for surtax net incomes between \$1,395.83 and \$79,728.41 provided by your committee for 1948 and subsequent years is the same as that provided in H. R. 1 as it passed the House, although the House bill continued the 20-percent reduction on up to surtax net incomes of \$302,395.60. The reduction provided in your committee's bill for 1947 is one-half the reduction provided for 1947 in H. R. 1 as it passed the House.

4. *A reduction in 1947 of about 7.5 percent and in 1948 of 15 percent of the tax on that portion of the surtax net income which is between about \$80,000 and about \$302,000*

In the calendar year 1947, in addition to the reduction of 14.5 percent in the tentative tax on the first \$79,728.40 of surtax net income, individuals with surtax net incomes between \$79,728.40 and \$302,395.61 receive a 12-percent reduction on that portion of their tentative tax which is between \$50,000 and \$250,000. In the calendar year 1948 and subsequent years in addition to the reduction of 24 percent in the tentative tax on the first \$79,728.40 of surtax net income, individuals with surtax net income between \$79,728.40 and \$302,395.61 receive a 19.25-percent reduction in that portion of their tentative tax which is between \$50,000 and \$250,000. These reductions are in lieu of the 5-percent reduction in tentative tax allowed under present law. Thus an individual with surtax net income of between \$79,728.40 and \$302,395.61 in 1947 receives a reduction of 10 percent in the tax on his first \$79,728.40 of surtax net income and about a 7.4-percent reduction in the tax on his remaining income.<sup>8</sup> In 1948 he receives a reduction of 20 percent in the tax on the first \$79,728.40 of surtax net income, and a 15-percent reduction in the tax on the remaining income.

The tax reduction for surtax net incomes between \$79,728.40 and \$302,395.61 provided by your committee is smaller than that provided in H. R. 1 as it passed the House. The latter provided a 20-percent reduction in the tax on such incomes in both 1947 and subsequent years.

5. *A reduction in 1947 of about 5.25 percent and in 1948 of about 10.5 percent of the tax on that portion of the surtax net income which is in excess of about \$302,000*

In addition to the reductions on the tax attributable to the first \$302,395.60 of surtax net income or \$250,000 of tentative tax, individuals with surtax net incomes or tentative taxes in excess of this amount receive a 10-percent reduction in 1947 and a 15-percent reduction in 1948, in lieu of the present 5-percent reduction, on that portion of the tentative tax which exceeds \$250,000. Thus in 1947 an individual with surtax net income of more than \$302,395.60 receives a 10-percent reduction in the tax on the first \$79,728.40 of surtax net income, about a 7.4-percent reduction in the tax on surtax net income between \$79,728.40 and \$302,395.61, and about a 5.26-percent<sup>9</sup> reduction in the tax on any remaining surtax net income. In 1948 and subsequent years an individual with surtax net income of more than \$302,395.60 receives a 20-percent reduction in the tax on the first \$79,728.40 of surtax net income, a 15-percent reduction in the tax on surtax net income between \$79,728.40 and \$302,395.61 and about a 10½-percent<sup>10</sup> reduction in the tax on any remaining surtax net income.

The effective tax reduction in the calendar year 1948 and subsequently for individuals with surtax net incomes in excess of \$302,395.60 provided by your committee's bill is smaller than that in H. R. 1 as it passed the House because of the smaller reduction provided for

<sup>8</sup> The exact amount of tax reduction on surtax net income between \$79,728.40 and \$302,395.61 for the calendar year 1947 is between 7.36 percent and 7.37 percent.

<sup>9</sup> The exact percentage reduction in 1947 on surtax net income in excess of \$302,395.60 is between 5.26 percent and 5.27 percent.

<sup>10</sup> The exact percentage reduction in 1948 and subsequent years on surtax net income in excess of \$302,395.60 is between 10.52 percent and 10.53 percent.

that proportion of the surtax net incomes between \$79,728.40 and \$302,395.61. H. R. 1 as it passed the House provided a reduction of 20 percent in the tax for that portion of the surtax net incomes under \$302,395.61 and a reduction of about 10.5 percent in the tax on that portion of surtax net incomes in excess of that amount. Your committee's bill provides a reduction of 20 percent in the tax on the first \$79,728.40 of surtax net income, a reduction of 15 percent in the tax on surtax net incomes between \$79,728.40 and \$302,395.61, and a reduction of about 10.5 percent in the tax on surtax net income in excess of \$302,395.60.

H. R. 1 as it passed the House made the same provision for the calendar year 1947 as for 1948 and subsequent years. The bill as amended by your committee provides reductions in 1947 of about one-half those applying to subsequent years.

*6. An additional exemption for individuals 65 years of age or over*

An additional exemption of \$500 is granted to individuals who have attained the age of 65 by the end of the taxable year. This feature of the bill is effective January 1, 1947. Your committee's bill allows the exemption to both a husband and a wife who have attained the age of 65 irrespective of the amount of the gross income received by either spouse. The House bill would have denied the exemption with respect to a spouse whose gross income was less than \$500. Your committee's bill also differs from the House measure in that it does not include a provision which would have offset against the new \$500 exemption the first \$500 received on the account of certain pensions, annuities,<sup>11</sup> or officers' retirement pay excluded in full from taxable income under existing law.

**VII. STATISTICAL DATA SHOWING TAX BURDENS, SPENDABLE INCOME AFTER TAX, AND TAX LIABILITY BY INCOME CLASSES UNDER PRESENT LAW, HOUSE BILL AND COMMITTEE BILL**

Table IX shows for various net-income levels (after deductions but before exemptions), the amount of tax payable under present law, under the House bill, and under your committee's bill; and the amount and the percentage of the reduction and the effective (or average over-all) rates under the House bill and your committee's bill. For each of the above types of information the effects of your committee's bill in the calendar years 1947 and 1948 and subsequent calendar years are shown separately. Part A of table IX relates to a single person with no dependents; part B, to a married person with no dependents; and part C, to a married person with two dependents.

Since individuals of age 65 and over receive not only the rate reductions but also an additional \$500 exemption, their tax burden cannot be derived from table IX. Table X shows for such persons the same type of information shown in table IX for persons under age 65. Again, part A relates to a single person with no dependents, part B to a married couple both over 65 but having no dependents; and part C to a married couple both over 65 and having two dependents.

Table XI shows the amount of spendable income remaining after tax and the percent such income is of net income (after deductions but before exemptions). This is given for present law, the House

<sup>11</sup> Such as those paid under the Railroad Retirement Act, or the Old Age and Survivors Insurance System of the Social Security Act.

bill, and your committee's bill in both 1947 and 1948. Part A presents this information for a single person with no dependents, and part B, for a married person with no dependents.

Table XII shows the estimated distributions among various income classes of taxable returns; net income; tax liability under present law, the House bill, and your committee's bill; and the decrease in tax liability under the House bill and your committee's bill. Since your committee's bill grants in the calendar year 1947 only half the reduction in tax provided for 1948 and subsequent calendar years, it is necessary to have two separate distributions of the above information. Part A shows the above information for the year in which the half reduction is effective, and part B, for the years in which the full reduction is effective. An assumed level of income payments of \$170 billion is used for both parts to make comparisons possible although estimates of income payments for the periods involved differ somewhat.

TABLE IX-A.—Comparison of individual income tax under present law, House bill, and Finance Committee bill

## SINGLE PERSON—NO DEPENDENTS

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |         |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|---------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |         |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |         |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       | Percent |
| \$500                                |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |         |
| \$600                                | \$19.00       | \$13.30    | \$16.15                | \$13.30                       | \$5.70                  | \$2.85                 | \$5.70                        | 30.00                 | 15.00                  | 30.00                         | 3.17            | 2.22       | 2.69                   | 2.22                          |         |
| \$700                                | 33.00         | 26.60      | 32.30                  | 26.60                         | 11.40                   | 5.70                   | 11.40                         | 30.00                 | 15.00                  | 30.00                         | 5.43            | 3.80       | 4.61                   | 3.80                          |         |
| \$750                                | 47.50         | 33.25      | 40.37                  | 33.25                         | 14.25                   | 7.13                   | 14.25                         | 30.00                 | 15.00                  | 30.00                         | 6.33            | 4.43       | 5.38                   | 4.43                          |         |
| \$800                                | 57.00         | 39.90      | 48.45                  | 39.90                         | 17.10                   | 8.55                   | 17.10                         | 30.00                 | 15.00                  | 30.00                         | 7.12            | 4.99       | 6.06                   | 4.99                          |         |
| \$900                                | 76.00         | 53.20      | 64.60                  | 53.20                         | 22.80                   | 11.40                  | 22.80                         | 30.00                 | 15.00                  | 30.00                         | 8.44            | 5.91       | 7.18                   | 5.91                          |         |
| \$1,000                              | 95.00         | 66.50      | 80.75                  | 66.50                         | 28.50                   | 14.25                  | 28.50                         | 30.00                 | 15.00                  | 30.00                         | 9.50            | 6.65       | 8.08                   | 6.65                          |         |
| \$1,200                              | 133.00        | 93.10      | 113.05                 | 93.10                         | 39.90                   | 19.95                  | 39.90                         | 30.00                 | 15.00                  | 30.00                         | 11.08           | 7.76       | 9.42                   | 7.76                          |         |
| \$1,500                              | 190.00        | 133.00     | 161.50                 | 133.00                        | 57.00                   | 28.50                  | 57.00                         | 30.00                 | 15.00                  | 30.00                         | 12.67           | 8.87       | 10.77                  | 8.87                          |         |
| \$1,600                              | 209.00        | 153.00     | 181.50                 | 153.00                        | 56.00                   | 27.50                  | 56.00                         | 26.79                 | 13.16                  | 26.79                         | 13.06           | 9.56       | 11.34                  | 9.56                          |         |
| \$1,700                              | 228.00        | 173.00     | 201.50                 | 173.00                        | 55.00                   | 26.50                  | 55.00                         | 24.12                 | 11.62                  | 24.12                         | 13.41           | 10.18      | 11.85                  | 10.18                         |         |
| \$1,800                              | 247.00        | 193.00     | 221.50                 | 193.00                        | 54.00                   | 25.50                  | 54.00                         | 21.96                 | 10.32                  | 21.96                         | 13.72           | 10.72      | 12.31                  | 10.72                         |         |
| \$1,900                              | 266.00        | 212.80     | 239.40                 | 212.80                        | 53.20                   | 26.60                  | 53.20                         | 20.00                 | 10.00                  | 20.00                         | 14.00           | 11.20      | 12.60                  | 11.20                         |         |
| \$2,000                              | 285.00        | 228.00     | 256.50                 | 228.00                        | 57.00                   | 28.50                  | 57.00                         | 20.00                 | 10.00                  | 20.00                         | 14.25           | 11.40      | 12.83                  | 11.40                         |         |
| \$2,500                              | 380.00        | 304.00     | 342.00                 | 304.00                        | 76.00                   | 38.00                  | 76.00                         | 20.00                 | 10.00                  | 20.00                         | 15.20           | 12.16      | 13.68                  | 12.16                         |         |
| \$3,000                              | 484.50        | 387.60     | 436.05                 | 387.60                        | 96.90                   | 48.45                  | 96.90                         | 20.00                 | 10.00                  | 20.00                         | 16.15           | 12.92      | 14.54                  | 12.92                         |         |
| \$4,000                              | 693.50        | 554.80     | 624.15                 | 554.80                        | 138.70                  | 69.35                  | 138.70                        | 20.00                 | 10.00                  | 20.00                         | 17.34           | 13.87      | 16.00                  | 13.87                         |         |
| \$5,000                              | 921.50        | 737.20     | 829.35                 | 737.20                        | 184.30                  | 92.15                  | 184.30                        | 20.00                 | 10.00                  | 20.00                         | 18.43           | 14.74      | 16.50                  | 14.74                         |         |
| \$6,000                              | 1,168.50      | 934.80     | 1,051.65               | 934.80                        | 233.70                  | 116.85                 | 233.70                        | 20.00                 | 10.00                  | 20.00                         | 19.47           | 15.58      | 17.53                  | 15.58                         |         |
| \$7,000                              | 1,434.50      | 1,147.60   | 1,291.05               | 1,147.60                      | 286.90                  | 143.45                 | 286.90                        | 20.00                 | 10.00                  | 20.00                         | 20.49           | 16.39      | 18.44                  | 16.39                         |         |
| \$8,000                              | 1,719.50      | 1,375.60   | 1,547.55               | 1,375.60                      | 343.90                  | 171.95                 | 343.90                        | 20.00                 | 10.00                  | 20.00                         | 21.49           | 17.20      | 19.34                  | 17.20                         |         |
| \$9,000                              | 2,023.50      | 1,618.80   | 1,821.15               | 1,618.80                      | 404.70                  | 202.35                 | 404.70                        | 20.00                 | 10.00                  | 20.00                         | 22.48           | 17.99      | 20.24                  | 17.99                         |         |
| \$10,000                             | 2,346.50      | 1,877.20   | 2,111.85               | 1,877.20                      | 469.30                  | 234.65                 | 469.30                        | 20.00                 | 10.00                  | 20.00                         | 23.47           | 18.77      | 21.12                  | 18.77                         |         |
| \$11,000                             | 2,688.50      | 2,150.80   | 2,419.65               | 2,150.80                      | 537.70                  | 268.85                 | 537.70                        | 20.00                 | 10.00                  | 20.00                         | 24.44           | 19.55      | 22.00                  | 19.55                         |         |
| \$12,000                             | 3,049.50      | 2,439.60   | 2,744.55               | 2,439.60                      | 609.90                  | 304.95                 | 609.90                        | 20.00                 | 10.00                  | 20.00                         | 25.41           | 20.33      | 22.87                  | 20.33                         |         |

|             |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$13,000    | 3,434.25     | 2,747.40     | 3,090.83     | 2,747.40     | 686.85     | 343.42     | 686.85     | 20.00 | 10.00 | 20.00 | 26.42 | 21.13 | 23.78 | 21.13 |
| \$14,000    | 3,842.75     | 3,074.20     | 3,458.48     | 3,074.20     | 768.55     | 384.27     | 768.55     | 20.00 | 10.00 | 20.00 | 27.45 | 21.96 | 24.70 | 21.96 |
| \$15,000    | 4,270.25     | 3,416.20     | 3,843.23     | 3,416.20     | 851.05     | 427.02     | 851.05     | 20.00 | 10.00 | 20.00 | 28.47 | 22.77 | 25.62 | 22.77 |
| \$20,000    | 6,645.25     | 5,316.20     | 5,980.73     | 5,316.20     | 1,329.05   | 664.52     | 1,329.05   | 20.00 | 10.00 | 20.00 | 33.23 | 26.58 | 29.90 | 26.58 |
| \$25,000    | 9,362.25     | 7,489.90     | 8,426.03     | 7,489.90     | 1,872.45   | 936.22     | 1,872.45   | 20.00 | 10.00 | 20.00 | 37.45 | 29.96 | 33.70 | 29.96 |
| \$30,000    | 12,264.50    | 9,811.60     | 11,528.05    | 9,811.60     | 2,452.90   | 1,226.45   | 2,452.90   | 20.00 | 10.00 | 20.00 | 40.88 | 32.71 | 36.79 | 32.71 |
| \$40,000    | 18,425.25    | 14,740.20    | 16,582.73    | 14,740.20    | 3,685.05   | 1,842.52   | 3,685.05   | 20.00 | 10.00 | 20.00 | 46.06 | 36.85 | 41.46 | 36.85 |
| \$50,000    | 25,137.00    | 20,109.60    | 22,623.30    | 20,109.60    | 5,027.40   | 2,513.70   | 5,027.40   | 20.00 | 10.00 | 20.00 | 50.27 | 40.22 | 45.25 | 40.22 |
| \$60,000    | 32,247.75    | 25,798.20    | 29,022.98    | 25,798.20    | 6,449.55   | 3,224.77   | 6,449.55   | 20.00 | 10.00 | 20.00 | 53.75 | 43.00 | 48.37 | 43.00 |
| \$70,000    | 39,643.50    | 31,714.80    | 35,679.15    | 31,714.80    | 7,928.70   | 3,964.35   | 7,928.70   | 20.00 | 10.00 | 20.00 | 56.63 | 45.31 | 50.97 | 45.31 |
| \$80,000    | 47,324.25    | 37,859.40    | 42,591.83    | 37,859.40    | 9,464.85   | 4,732.42   | 9,464.85   | 20.00 | 10.00 | 20.00 | 59.16 | 47.32 | 53.24 | 47.32 |
| \$90,000    | 55,290.00    | 44,232.00    | 49,966.00    | 44,621.50    | 11,058.00  | 5,529.00   | 10,668.50  | 20.00 | 9.63  | 19.30 | 61.43 | 49.15 | 55.52 | 49.58 |
| \$100,000   | 63,540.75    | 50,832.60    | 57,608.80    | 51,634.64    | 12,708.15  | 6,354.08   | 11,905.11  | 20.00 | 9.34  | 18.74 | 63.54 | 50.83 | 57.61 | 51.63 |
| \$150,000   | 105,806.25   | 84,645.00    | 96,760.00    | 87,560.31    | 21,161.25  | 10,580.63  | 18,245.94  | 20.00 | 8.55  | 17.24 | 70.54 | 56.43 | 64.51 | 58.37 |
| \$200,000   | 148,551.50   | 118,841.20   | 136,355.60   | 123,893.78   | 29,710.30  | 14,855.15  | 24,657.72  | 20.00 | 8.21  | 16.60 | 74.28 | 59.42 | 68.18 | 61.95 |
| \$250,000   | 191,771.75   | 153,417.40   | 176,391.20   | 160,630.99   | 38,254.35  | 19,127.18  | 31,140.76  | 20.00 | 8.02  | 16.24 | 76.71 | 61.37 | 70.56 | 64.25 |
| \$300,000   | 234,996.75   | 187,997.40   | 216,431.20   | 197,372.24   | 46,999.35  | 23,499.68  | 37,624.51  | 20.00 | 7.90  | 16.01 | 78.33 | 62.67 | 72.14 | 65.79 |
| \$400,000   | 321,446.75   | 265,110.25   | 298,278.50   | 274,610.25   | 56,336.50  | 28,168.25  | 46,838.50  | 17.53 | 7.21  | 14.57 | 80.36 | 66.28 | 74.57 | 68.65 |
| \$500,000   | 407,896.75   | 342,480.25   | 380,178.50   | 351,960.25   | 65,436.50  | 32,718.25  | 55,936.50  | 16.04 | 6.80  | 13.71 | 81.58 | 68.49 | 76.04 | 70.39 |
| \$750,000   | 624,021.75   | 535,835.25   | 584,928.50   | 545,335.25   | 88,186.50  | 44,093.25  | 78,686.50  | 14.13 | 6.25  | 12.61 | 83.20 | 71.44 | 77.99 | 72.71 |
| \$1,000,000 | 840,146.75   | 729,210.25   | 789,678.50   | 738,710.25   | 110,936.50 | 55,468.25  | 101,434.50 | 13.20 | 6.01  | 12.07 | 84.01 | 72.92 | 78.26 | 73.87 |
| \$2,000,000 | 1,704,646.75 | 1,502,710.25 | 1,608,678.50 | 1,512,210.25 | 201,936.50 | 100,968.25 | 192,436.50 | 11.85 | 5.63  | 11.29 | 85.23 | 75.14 | 80.43 | 75.61 |
| \$5,000,000 | 4,275,000.00 | 3,823,210.25 | 4,050,000.00 | 3,825,000.00 | 451,780.75 | 225,890.38 | 450,000.00 | 10.57 | 5.26  | 10.53 | 85.50 | 76.40 | 81.00 | 76.50 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE IX-B.—Comparison of individual income tax under present law, House bill, and Finance Committee bill

MARRIED PERSON—NO DEPENDENTS

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       |
| \$1,000                              |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |
| \$1,200                              | \$38.00       | \$26.60    | \$32.30                | \$26.60                       | \$11.40                 | \$5.70                 | \$11.40                       | 30.00                 | 15.00                  | 30.00                         | 3.17            | 2.22       | 2.69                   | 2.22                          |
| \$1,500                              | 95.00         | 66.50      | 80.75                  | 66.50                         | 28.50                   | 14.25                  | 28.50                         | 30.00                 | 15.00                  | 30.00                         | 6.33            | 4.43       | 5.38                   | 4.43                          |
| \$1,800                              | 152.00        | 106.40     | 129.20                 | 106.40                        | 45.60                   | 22.80                  | 45.60                         | 30.00                 | 15.00                  | 30.00                         | 8.44            | 5.91       | 7.18                   | 5.91                          |
| \$2,000                              | 190.00        | 133.00     | 161.50                 | 133.00                        | 57.00                   | 28.50                  | 57.00                         | 30.00                 | 15.00                  | 30.00                         | 9.50            | 6.65       | 8.08                   | 6.65                          |
| \$2,100                              | 209.00        | 153.00     | 181.50                 | 153.00                        | 56.00                   | 27.50                  | 56.00                         | 26.79                 | 13.16                  | 26.79                         | 9.95            | 7.29       | 8.64                   | 7.29                          |
| \$2,200                              | 228.00        | 173.00     | 201.50                 | 173.00                        | 55.00                   | 26.50                  | 55.00                         | 24.12                 | 11.62                  | 24.12                         | 10.36           | 7.86       | 9.16                   | 7.86                          |
| \$2,300                              | 247.00        | 193.00     | 221.50                 | 193.00                        | 54.00                   | 25.50                  | 54.00                         | 21.86                 | 10.32                  | 21.86                         | 10.74           | 8.39       | 9.63                   | 8.39                          |
| \$2,400                              | 266.00        | 212.80     | 239.40                 | 212.80                        | 53.20                   | 26.60                  | 53.20                         | 20.00                 | 10.00                  | 20.00                         | 11.08           | 8.87       | 9.98                   | 8.87                          |
| \$2,500                              | 285.00        | 228.00     | 256.50                 | 228.00                        | 57.00                   | 28.50                  | 57.00                         | 20.00                 | 10.00                  | 20.00                         | 11.40           | 9.12       | 10.26                  | 9.12                          |
| \$3,000                              | 380.00        | 304.00     | 342.00                 | 304.00                        | 76.00                   | 38.00                  | 76.00                         | 20.00                 | 10.00                  | 20.00                         | 12.67           | 10.13      | 11.40                  | 10.13                         |
| \$4,000                              | 589.00        | 471.20     | 530.10                 | 471.20                        | 117.80                  | 58.90                  | 117.80                        | 20.00                 | 10.00                  | 20.00                         | 14.72           | 11.78      | 13.25                  | 11.78                         |
| \$5,000                              | 798.00        | 638.40     | 718.20                 | 638.40                        | 159.60                  | 79.80                  | 159.60                        | 20.00                 | 10.00                  | 20.00                         | 15.96           | 12.77      | 14.36                  | 12.77                         |
| \$6,000                              | 1,045.00      | 835.00     | 940.50                 | 835.00                        | 209.00                  | 104.50                 | 209.00                        | 20.00                 | 10.00                  | 20.00                         | 17.42           | 13.93      | 15.68                  | 13.93                         |
| \$7,000                              | 1,292.00      | 1,033.60   | 1,162.80               | 1,033.60                      | 258.40                  | 129.20                 | 258.40                        | 20.00                 | 10.00                  | 20.00                         | 18.46           | 14.77      | 16.61                  | 14.77                         |
| \$8,000                              | 1,577.00      | 1,261.60   | 1,419.30               | 1,261.60                      | 315.40                  | 157.70                 | 315.40                        | 20.00                 | 10.00                  | 20.00                         | 19.71           | 15.77      | 17.74                  | 15.77                         |
| \$9,000                              | 1,862.00      | 1,489.60   | 1,675.80               | 1,489.60                      | 372.40                  | 186.20                 | 372.40                        | 20.00                 | 10.00                  | 20.00                         | 20.69           | 16.55      | 18.62                  | 16.55                         |
| \$10,000                             | 2,135.00      | 1,748.00   | 1,966.50               | 1,748.00                      | 437.00                  | 218.50                 | 437.00                        | 20.00                 | 10.00                  | 20.00                         | 21.85           | 17.48      | 19.67                  | 17.48                         |
| \$11,000                             | 2,508.00      | 2,006.40   | 2,257.20               | 2,006.40                      | 501.60                  | 250.80                 | 501.60                        | 20.00                 | 10.00                  | 20.00                         | 22.80           | 18.24      | 20.52                  | 18.24                         |
| \$12,000                             | 2,869.00      | 2,295.20   | 2,582.10               | 2,295.20                      | 573.80                  | 286.90                 | 573.80                        | 20.00                 | 10.00                  | 20.00                         | 23.91           | 19.13      | 21.52                  | 19.13                         |
| \$13,000                             | 3,230.00      | 2,584.00   | 2,907.00               | 2,584.00                      | 646.00                  | 323.00                 | 646.00                        | 20.00                 | 10.00                  | 20.00                         | 24.85           | 19.88      | 22.36                  | 19.88                         |
| \$14,000                             | 3,638.50      | 2,910.80   | 3,274.65               | 2,910.80                      | 727.70                  | 363.85                 | 727.70                        | 20.00                 | 10.00                  | 20.00                         | 25.99           | 20.79      | 23.39                  | 20.79                         |
| \$15,000                             | 4,047.00      | 3,237.60   | 3,642.30               | 3,237.60                      | 809.40                  | 404.70                 | 809.40                        | 20.00                 | 10.00                  | 20.00                         | 26.98           | 21.58      | 24.28                  | 21.58                         |
| \$20,000                             | 6,393.50      | 5,114.80   | 5,754.15               | 5,114.80                      | 1,278.70                | 639.35                 | 1,278.70                      | 20.00                 | 10.00                  | 20.00                         | 31.97           | 25.57      | 28.77                  | 25.57                         |
| \$25,000                             | 9,082.00      | 7,265.60   | 8,173.80               | 7,265.60                      | 1,816.40                | 908.20                 | 1,816.40                      | 20.00                 | 10.00                  | 20.00                         | 36.33           | 29.06      | 32.70                  | 29.06                         |

|                  |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|------------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$30,000.....    | 11,970.00    | 9,576.00     | 10,773.00    | 9,576.00     | 2,394.00   | 1,197.00   | 2,394.00   | 20.00 | 10.00 | 20.00 | 39.90 | 31.92 | 35.91 | 31.92 |
| \$40,000.....    | 18,097.50    | 14,478.00    | 16,287.75    | 14,478.00    | 3,619.50   | 1,809.75   | 3,619.50   | 20.00 | 10.00 | 20.00 | 45.24 | 36.20 | 40.72 | 36.20 |
| \$50,000.....    | 24,795.00    | 19,836.00    | 22,315.50    | 19,836.00    | 4,959.00   | 2,479.50   | 4,959.00   | 20.00 | 10.00 | 20.00 | 49.59 | 39.67 | 44.63 | 39.67 |
| \$60,000.....    | 31,891.50    | 25,513.20    | 28,702.35    | 25,513.20    | 6,378.30   | 3,189.15   | 6,378.30   | 20.00 | 10.00 | 20.00 | 53.15 | 42.52 | 47.84 | 42.52 |
| \$70,000.....    | 39,273.00    | 31,418.40    | 35,345.70    | 31,418.40    | 7,854.60   | 3,927.30   | 7,854.60   | 20.00 | 10.00 | 20.00 | 56.10 | 44.88 | 50.49 | 44.88 |
| \$80,000.....    | 46,939.50    | 37,551.60    | 42,245.55    | 37,551.60    | 9,387.90   | 4,693.95   | 9,387.90   | 20.00 | 10.00 | 20.00 | 58.67 | 46.94 | 52.81 | 46.94 |
| \$90,000.....    | 54,891.00    | 43,912.80    | 49,596.40    | 44,252.35    | 10,978.20  | 5,294.60   | 10,608.65  | 20.00 | 9.65  | 19.33 | 60.99 | 48.79 | 55.11 | 49.20 |
| \$100,000.....   | 63,127.50    | 50,502.00    | 57,226.00    | 51,283.38    | 12,625.50  | 5,901.50   | 11,844.12  | 20.00 | 9.35  | 18.76 | 63.13 | 50.50 | 57.23 | 51.28 |
| \$150,000.....   | 105,383.50   | 84,306.80    | 96,368.40    | 87,200.98    | 21,076.70  | 9,015.10   | 18,182.52  | 20.00 | 8.55  | 17.25 | 70.26 | 56.20 | 64.25 | 58.13 |
| \$200,000.....   | 148,124.00   | 118,499.20   | 135,959.60   | 123,530.40   | 29,624.80  | 12,164.40  | 24,593.60  | 20.00 | 8.21  | 16.60 | 74.06 | 59.25 | 67.98 | 61.77 |
| \$250,000.....   | 191,339.50   | 153,071.60   | 175,990.80   | 160,263.58   | 38,267.90  | 15,348.70  | 31,075.92  | 20.00 | 8.02  | 16.24 | 76.54 | 61.23 | 70.40 | 64.11 |
| \$300,000.....   | 234,564.50   | 187,651.60   | 216,030.80   | 197,004.83   | 46,912.90  | 18,533.70  | 37,559.67  | 20.00 | 7.90  | 16.01 | 78.19 | 62.55 | 72.01 | 65.67 |
| \$400,000.....   | 321,014.50   | 264,723.50   | 297,869.00   | 274,223.50   | 56,291.00  | 23,145.50  | 46,791.00  | 17.54 | 7.21  | 14.38 | 80.25 | 66.18 | 74.47 | 68.56 |
| \$500,000.....   | 407,464.50   | 342,073.50   | 379,769.00   | 351,573.50   | 65,391.00  | 27,695.50  | 55,891.00  | 16.05 | 6.80  | 13.72 | 81.49 | 68.41 | 75.95 | 70.31 |
| \$750,000.....   | 623,589.50   | 535,448.50   | 584,519.00   | 544,948.50   | 88,141.00  | 39,070.50  | 78,641.00  | 14.13 | 6.27  | 12.61 | 83.15 | 71.39 | 77.94 | 72.66 |
| \$1,000,000..... | 839,714.50   | 728,823.50   | 789,269.00   | 738,323.50   | 110,891.00 | 50,445.50  | 101,391.00 | 13.21 | 6.01  | 12.07 | 83.97 | 72.88 | 78.93 | 73.83 |
| \$2,000,000..... | 1,704,214.50 | 1,502,323.50 | 1,608,269.00 | 1,511,823.50 | 201,891.00 | 95,945.00  | 192,391.00 | 11.85 | 5.63  | 11.29 | 85.21 | 75.12 | 80.41 | 75.59 |
| \$5,000,000..... | 4,275,000.00 | 3,822,823.50 | 4,050,000.00 | 3,825,000.00 | 452,176.50 | 225,000.00 | 450,000.00 | 10.58 | 5.26  | 10.53 | 85.50 | 76.46 | 81.00 | 76.50 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE IX-C. Comparison of individual income tax under present law, House bill, and Finance Committee bill

## MARRIED PERSON—TWO DEPENDENTS

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |         |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|---------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |         |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |         |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       | Percent |
| \$2,000                              |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |         |
| \$2,500                              | \$95.00       | \$66.50    | \$80.75                | \$66.50                       | \$28.50                 | \$14.25                | \$28.50                       | 30.00                 | 15.00                  | 30.00                         | 3.80            | 2.66       | 3.23                   | 2.66                          |         |
| \$3,000                              | 190.00        | 133.00     | 161.50                 | 133.00                        | 57.00                   | 28.50                  | 57.00                         | 30.00                 | 15.00                  | 30.00                         | 6.33            | 4.43       | 5.38                   | 4.43                          |         |
| \$3,100                              | 209.00        | 153.00     | 181.50                 | 153.00                        | 56.00                   | 27.50                  | 56.00                         | 26.79                 | 13.16                  | 26.79                         | 6.74            | 4.94       | 5.85                   | 4.94                          |         |
| \$3,200                              | 228.00        | 173.00     | 201.50                 | 173.00                        | 55.00                   | 26.50                  | 55.00                         | 24.12                 | 11.62                  | 24.12                         | 7.13            | 5.41       | 6.30                   | 5.41                          |         |
| \$3,300                              | 247.00        | 193.00     | 221.50                 | 193.00                        | 54.00                   | 25.50                  | 54.00                         | 21.86                 | 10.32                  | 21.86                         | 7.48            | 5.85       | 6.71                   | 5.85                          |         |
| \$3,400                              | 266.00        | 212.80     | 239.40                 | 212.80                        | 53.20                   | 26.60                  | 53.20                         | 20.00                 | 10.00                  | 20.00                         | 7.82            | 6.26       | 7.04                   | 6.26                          |         |
| \$3,500                              | 285.00        | 228.00     | 256.50                 | 228.00                        | 57.00                   | 28.50                  | 57.00                         | 20.00                 | 10.00                  | 20.00                         | 8.14            | 6.51       | 7.33                   | 6.51                          |         |
| \$4,000                              | 380.00        | 304.00     | 342.00                 | 304.00                        | 76.00                   | 38.00                  | 76.00                         | 20.00                 | 10.00                  | 20.00                         | 9.50            | 7.60       | 8.55                   | 7.60                          |         |
| \$5,000                              | 589.00        | 471.20     | 530.10                 | 471.20                        | 117.80                  | 58.90                  | 117.80                        | 20.00                 | 10.00                  | 20.00                         | 11.78           | 9.42       | 10.60                  | 9.42                          |         |
| \$6,000                              | 798.00        | 638.40     | 718.20                 | 638.40                        | 159.60                  | 79.80                  | 159.60                        | 20.00                 | 10.00                  | 20.00                         | 13.30           | 10.64      | 11.97                  | 10.64                         |         |
| \$7,000                              | 1,045.00      | 836.00     | 940.50                 | 836.00                        | 209.00                  | 104.50                 | 209.00                        | 20.00                 | 10.00                  | 20.00                         | 14.93           | 11.94      | 13.44                  | 11.94                         |         |
| \$8,000                              | 1,292.00      | 1,033.60   | 1,162.80               | 1,033.60                      | 258.40                  | 129.20                 | 258.40                        | 20.00                 | 10.00                  | 20.00                         | 16.15           | 12.92      | 14.54                  | 12.92                         |         |
| \$9,000                              | 1,577.00      | 1,261.60   | 1,419.30               | 1,261.60                      | 315.40                  | 157.70                 | 315.40                        | 20.00                 | 10.00                  | 20.00                         | 17.52           | 14.02      | 15.77                  | 14.02                         |         |
| \$10,000                             | 1,862.00      | 1,489.60   | 1,675.80               | 1,489.60                      | 372.40                  | 186.20                 | 372.40                        | 20.00                 | 10.00                  | 20.00                         | 18.62           | 14.90      | 16.76                  | 14.90                         |         |
| \$11,000                             | 2,185.00      | 1,748.00   | 1,936.50               | 1,748.00                      | 437.00                  | 218.50                 | 437.00                        | 20.00                 | 10.00                  | 20.00                         | 19.86           | 15.89      | 17.88                  | 15.89                         |         |
| \$12,000                             | 2,508.00      | 2,036.40   | 2,257.20               | 2,036.40                      | 501.60                  | 250.80                 | 501.60                        | 20.00                 | 10.00                  | 20.00                         | 20.90           | 16.72      | 18.81                  | 16.72                         |         |
| \$13,000                             | 2,869.00      | 2,295.20   | 2,582.10               | 2,295.20                      | 573.80                  | 286.90                 | 573.80                        | 20.00                 | 10.00                  | 20.00                         | 22.07           | 17.66      | 19.86                  | 17.66                         |         |
| \$14,000                             | 3,230.00      | 2,584.00   | 2,907.00               | 2,584.00                      | 646.00                  | 323.00                 | 646.00                        | 20.00                 | 10.00                  | 20.00                         | 23.07           | 18.46      | 20.76                  | 18.46                         |         |
| \$15,000                             | 3,638.50      | 2,910.80   | 3,274.65               | 2,910.80                      | 727.70                  | 363.85                 | 727.70                        | 20.00                 | 10.00                  | 20.00                         | 24.26           | 19.41      | 21.83                  | 19.41                         |         |
| \$20,000                             | 5,890.00      | 4,712.00   | 5,301.00               | 4,712.00                      | 1,178.00                | 589.00                 | 1,178.00                      | 20.00                 | 10.00                  | 20.00                         | 29.45           | 23.56      | 26.51                  | 23.56                         |         |
| \$25,000                             | 8,521.50      | 6,817.20   | 7,669.35               | 6,817.20                      | 1,704.30                | 852.15                 | 1,704.30                      | 20.00                 | 10.00                  | 20.00                         | 34.09           | 27.27      | 30.68                  | 27.27                         |         |
| \$30,000                             | 11,381.00     | 9,104.80   | 10,242.90              | 9,104.80                      | 2,276.20                | 1,138.10               | 2,276.20                      | 20.00                 | 10.00                  | 20.00                         | 37.94           | 30.35      | 34.14                  | 30.35                         |         |
| \$40,000                             | 17,442.00     | 13,953.60  | 15,697.80              | 13,953.60                     | 3,488.40                | 1,744.20               | 3,488.40                      | 20.00                 | 10.00                  | 20.00                         | 43.60           | 34.88      | 39.24                  | 34.88                         |         |
| \$50,000                             | 24,111.00     | 19,288.80  | 21,699.90              | 19,288.80                     | 4,822.20                | 2,411.10               | 4,822.20                      | 20.00                 | 10.00                  | 20.00                         | 48.22           | 38.58      | 43.40                  | 38.58                         |         |

|             |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$60,000    | 31,179.00    | 24,943.20    | 28,061.10    | 24,943.20    | 6,235.80   | 3,117.90   | 6,235.80   | 20.00 | 10.00 | 20.00 | 51.96 | 41.57 | 46.77 | 41.57 |
| \$70,000    | 38,532.00    | 30,825.60    | 34,678.80    | 30,825.60    | 7,706.40   | 3,853.20   | 7,706.40   | 20.00 | 10.00 | 20.00 | 55.05 | 44.04 | 49.54 | 44.04 |
| \$80,000    | 46,170.00    | 36,936.00    | 41,553.00    | 36,936.00    | 9,234.00   | 4,617.00   | 9,234.00   | 20.00 | 10.00 | 20.00 | 57.71 | 46.17 | 51.94 | 46.17 |
| \$90,000    | 54,093.00    | 43,274.40    | 48,857.20    | 43,604.05    | 10,818.60  | 5,235.80   | 10,488.95  | 20.00 | 9.68  | 19.39 | 60.10 | 48.08 | 54.29 | 48.45 |
| \$100,000   | 62,301.00    | 49,840.80    | 56,460.40    | 50,580.85    | 12,460.20  | 5,840.60   | 11,720.15  | 20.00 | 9.37  | 18.81 | 62.30 | 49.84 | 56.46 | 50.56 |
| \$150,000   | 104,538.00   | 83,630.40    | 95,585.20    | 86,482.30    | 20,907.60  | 8,952.80   | 18,055.70  | 20.00 | 8.56  | 17.27 | 69.69 | 55.75 | 63.72 | 57.65 |
| \$200,000   | 147,269.00   | 117,815.20   | 135,167.60   | 122,803.65   | 29,453.80  | 12,101.40  | 24,465.35  | 20.00 | 8.22  | 16.61 | 73.63 | 58.91 | 67.58 | 61.40 |
| \$250,000   | 190,475.00   | 152,380.00   | 175,190.00   | 159,528.75   | 38,095.00  | 15,285.00  | 30,946.25  | 20.00 | 8.02  | 16.25 | 76.19 | 60.95 | 70.08 | 63.81 |
| \$300,000   | 233,700.00   | 186,960.00   | 215,230.00   | 196,270.00   | 46,740.00  | 18,470.00  | 37,430.00  | 20.00 | 7.90  | 16.02 | 77.90 | 62.32 | 71.74 | 65.43 |
| \$400,000   | 320,150.00   | 263,950.00   | 297,050.00   | 273,450.00   | 56,200.00  | 23,195.00  | 46,700.00  | 17.55 | 7.24  | 14.59 | 80.04 | 65.99 | 74.26 | 68.36 |
| \$500,000   | 406,600.00   | 341,300.00   | 378,950.00   | 350,800.00   | 65,300.00  | 27,650.00  | 55,900.00  | 16.06 | 6.80  | 13.72 | 81.32 | 68.26 | 75.79 | 70.16 |
| \$750,000   | 622,725.00   | 534,675.00   | 583,700.00   | 544,175.00   | 88,050.00  | 39,025.00  | 78,550.00  | 14.14 | 6.27  | 12.61 | 83.03 | 71.29 | 77.83 | 72.86 |
| \$1,000,000 | 838,850.00   | 728,050.00   | 788,450.00   | 737,550.00   | 110,800.00 | 51,264.50  | 101,300.00 | 13.21 | 6.10  | 12.07 | 83.88 | 72.81 | 78.85 | 73.76 |
| \$2,000,000 | 1,703,350.00 | 1,501,550.00 | 1,607,450.00 | 1,511,050.00 | 201,800.00 | 95,900.00  | 192,300.00 | 11.85 | 5.63  | 11.29 | 85.17 | 75.08 | 80.37 | 75.56 |
| \$5,000,000 | 4,275,000.00 | 3,822,050.00 | 4,050,000.00 | 3,825,000.00 | 452,950.00 | 225,000.00 | 450,000.00 | 10.60 | 5.26  | 10.53 | 85.50 | 76.44 | 81.00 | 76.89 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE X-A. Comparison of individual income tax under present law, under the House bill, and Finance Committee bill for persons 65 years of age and over

## SINGLE PERSON—NO DEPENDENTS

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |         |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|---------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |         |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |         |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       | Percent |
| \$500                                |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |         |
| \$600                                | \$19.00       |            |                        |                               | \$19.00                 | \$19.00                | \$19.00                       | 100.00                | 100.00                 | 100.00                        | 3.17            |            |                        |                               |         |
| \$700                                | 38.00         |            |                        |                               | 38.00                   | 38.00                  | 38.00                         | 100.00                | 100.00                 | 100.00                        | 5.43            |            |                        |                               |         |
| \$750                                | 47.50         |            |                        |                               | 47.50                   | 47.50                  | 47.50                         | 100.00                | 100.00                 | 100.00                        | 6.33            |            |                        |                               |         |
| \$800                                | 57.00         |            |                        |                               | 57.00                   | 57.00                  | 57.00                         | 100.00                | 100.00                 | 100.00                        | 7.13            |            |                        |                               |         |
| \$900                                | 76.00         |            |                        |                               | 76.00                   | 76.00                  | 76.00                         | 100.00                | 100.00                 | 100.00                        | 8.44            |            |                        |                               |         |
| \$1,000                              | 95.00         |            |                        |                               | 95.00                   | 95.00                  | 95.00                         | 100.00                | 100.00                 | 100.00                        | 9.50            |            |                        |                               |         |
| \$1,200                              | 133.00        | \$26.60    | \$52.30                | \$26.60                       | 106.40                  | 100.70                 | 106.40                        | 80.00                 | 75.71                  | 80.00                         | 11.08           | \$2.22     | \$2.69                 |                               | \$2.22  |
| \$1,500                              | 190.00        | 66.50      | 80.75                  | 66.50                         | 123.50                  | 109.25                 | 123.50                        | 65.00                 | 57.50                  | 65.00                         | 12.67           | 4.43       | 5.38                   |                               | 4.43    |
| \$1,800                              | 247.00        | 106.40     | 129.20                 | 106.40                        | 140.60                  | 117.80                 | 140.60                        | 56.92                 | 47.69                  | 56.92                         | 13.72           | 5.91       | 7.18                   |                               | 5.91    |
| \$2,000                              | 285.00        | 133.00     | 161.50                 | 133.00                        | 152.00                  | 123.50                 | 152.00                        | 53.33                 | 43.33                  | 53.33                         | 14.25           | 6.65       | 8.08                   |                               | 6.65    |
| \$2,500                              | 380.00        | 228.00     | 256.50                 | 228.00                        | 152.00                  | 123.50                 | 152.00                        | 40.00                 | 32.50                  | 40.00                         | 15.20           | 9.12       | 10.26                  |                               | 9.12    |
| \$3,000                              | 484.50        | 304.00     | 342.00                 | 304.00                        | 180.50                  | 142.50                 | 180.50                        | 37.25                 | 29.41                  | 37.25                         | 16.15           | 10.13      | 11.40                  |                               | 10.13   |
| \$4,000                              | 633.50        | 471.20     | 530.10                 | 471.20                        | 222.30                  | 163.40                 | 222.30                        | 32.05                 | 23.56                  | 32.05                         | 17.34           | 11.78      | 13.25                  |                               | 11.78   |
| \$5,000                              | 921.50        | 633.40     | 718.20                 | 633.40                        | 283.10                  | 203.30                 | 283.10                        | 30.72                 | 22.06                  | 30.72                         | 18.43           | 12.77      | 14.36                  |                               | 12.77   |
| \$6,000                              | 1,163.50      | 836.00     | 940.50                 | 836.00                        | 332.50                  | 228.00                 | 332.50                        | 28.46                 | 19.51                  | 28.46                         | 19.48           | 13.93      | 15.68                  |                               | 13.93   |
| \$7,000                              | 1,434.50      | 1,033.60   | 1,162.80               | 1,033.60                      | 400.90                  | 271.70                 | 400.90                        | 27.95                 | 18.94                  | 27.95                         | 20.49           | 14.77      | 16.61                  |                               | 14.77   |
| \$8,000                              | 1,719.50      | 1,261.60   | 1,419.30               | 1,261.60                      | 457.90                  | 300.20                 | 457.90                        | 26.63                 | 17.46                  | 26.63                         | 21.49           | 15.77      | 17.74                  |                               | 15.77   |
| \$9,000                              | 2,023.50      | 1,489.60   | 1,675.80               | 1,489.60                      | 533.90                  | 347.70                 | 533.90                        | 26.38                 | 17.18                  | 26.38                         | 22.48           | 16.55      | 18.62                  |                               | 16.55   |
| \$10,000                             | 2,316.50      | 1,748.00   | 1,966.50               | 1,748.00                      | 598.50                  | 380.00                 | 598.50                        | 25.51                 | 16.19                  | 25.51                         | 23.47           | 17.48      | 19.67                  |                               | 17.48   |
| \$11,000                             | 2,688.50      | 2,006.40   | 2,257.20               | 2,006.40                      | 682.10                  | 431.30                 | 682.10                        | 25.37                 | 16.04                  | 25.37                         | 24.44           | 18.24      | 20.52                  |                               | 18.24   |
| \$12,000                             | 3,049.50      | 2,295.20   | 2,582.10               | 2,295.20                      | 754.30                  | 467.40                 | 754.30                        | 24.74                 | 15.33                  | 24.74                         | 25.41           | 19.13      | 21.52                  |                               | 19.13   |
| \$13,000                             | 3,434.25      | 2,584.00   | 2,907.00               | 2,584.00                      | 850.25                  | 527.25                 | 850.25                        | 24.76                 | 15.35                  | 24.76                         | 26.42           | 19.88      | 22.36                  |                               | 19.88   |
| \$14,000                             | 3,842.75      | 2,910.80   | 3,274.65               | 2,910.80                      | 931.95                  | 568.10                 | 931.95                        | 24.25                 | 14.78                  | 24.25                         | 27.45           | 20.79      | 23.39                  |                               | 20.79   |

|             |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$15,000    | 4,270.25     | 3,237.60     | 3,642.30     | 3,237.60     | 1,032.65   | 627.95     | 1,032.65   | 24.18 | 14.71 | 24.18 | 28.47 | 21.58 | 24.28 | 21.58 |
| \$20,000    | 6,545.25     | 5,114.80     | 5,751.15     | 5,114.80     | 1,530.45   | 891.10     | 1,530.45   | 23.03 | 13.41 | 23.03 | 33.23 | 25.57 | 28.77 | 25.57 |
| \$25,000    | 9,362.25     | 7,265.60     | 8,173.80     | 7,265.60     | 2,056.65   | 1,188.45   | 2,056.65   | 22.39 | 12.69 | 22.39 | 37.45 | 29.06 | 32.70 | 29.06 |
| \$30,000    | 12,264.50    | 9,576.00     | 10,773.00    | 9,576.00     | 2,688.50   | 1,491.50   | 2,688.50   | 21.92 | 12.16 | 21.92 | 40.88 | 31.92 | 35.91 | 31.92 |
| \$40,000    | 18,125.25    | 14,478.60    | 16,287.75    | 14,478.00    | 3,947.25   | 2,137.50   | 3,947.25   | 21.42 | 11.60 | 21.42 | 46.06 | 36.20 | 40.72 | 36.20 |
| \$50,000    | 25,157.00    | 19,836.00    | 22,315.50    | 19,134.90    | 5,301.00   | 2,821.50   | 5,301.00   | 21.09 | 11.22 | 21.09 | 50.27 | 39.67 | 44.63 | 39.67 |
| \$60,000    | 32,247.25    | 25,513.10    | 28,702.25    | 25,513.10    | 6,734.05   | 3,544.90   | 6,734.05   | 20.88 | 10.99 | 20.88 | 53.75 | 42.52 | 47.84 | 42.52 |
| \$70,000    | 39,643.50    | 31,418.40    | 35,345.70    | 31,413.40    | 8,225.10   | 4,277.80   | 8,225.10   | 20.75 | 10.84 | 20.75 | 56.63 | 44.88 | 50.49 | 44.88 |
| \$80,000    | 47,324.25    | 37,551.60    | 42,215.55    | 37,551.60    | 9,772.65   | 5,078.70   | 9,772.65   | 20.65 | 10.73 | 20.65 | 59.16 | 46.94 | 52.81 | 46.94 |
| \$90,000    | 55,290.00    | 43,912.80    | 49,596.40    | 44,282.35    | 11,377.20  | 5,663.00   | 11,007.65  | 20.58 | 10.30 | 19.91 | 61.43 | 48.79 | 55.11 | 49.20 |
| \$100,000   | 63,540.75    | 50,502.00    | 57,226.00    | 51,283.38    | 13,038.75  | 6,314.75   | 12,257.37  | 20.52 | 9.94  | 19.29 | 63.54 | 50.50 | 57.23 | 51.28 |
| \$150,000   | 105,806.25   | 84,306.80    | 96,368.40    | 87,200.98    | 21,499.45  | 9,437.85   | 18,605.27  | 20.32 | 8.92  | 17.58 | 70.54 | 56.20 | 64.25 | 58.13 |
| \$200,000   | 148,551.50   | 118,499.20   | 135,959.60   | 123,530.40   | 30,052.30  | 12,591.90  | 25,021.10  | 20.23 | 8.48  | 16.84 | 74.28 | 59.25 | 67.98 | 61.77 |
| \$250,000   | 191,771.75   | 153,071.60   | 175,990.80   | 160,263.58   | 38,700.15  | 15,780.75  | 31,508.17  | 20.18 | 8.23  | 16.43 | 76.71 | 61.23 | 70.40 | 64.11 |
| \$300,000   | 234,996.75   | 187,651.60   | 216,030.60   | 197,004.83   | 47,345.15  | 18,965.95  | 37,991.92  | 20.15 | 8.07  | 16.17 | 78.33 | 62.55 | 72.01 | 65.67 |
| \$400,000   | 321,446.75   | 264,723.50   | 297,869.00   | 274,223.50   | 56,723.25  | 23,577.75  | 47,223.25  | 17.65 | 7.33  | 14.69 | 80.36 | 66.18 | 74.47 | 68.56 |
| \$500,000   | 407,896.75   | 342,073.50   | 379,769.00   | 351,573.50   | 65,823.25  | 28,127.75  | 56,323.25  | 16.14 | 6.90  | 13.81 | 81.58 | 68.41 | 75.95 | 70.31 |
| \$750,000   | 624,021.75   | 535,448.50   | 584,519.00   | 544,948.50   | 88,573.25  | 39,502.75  | 79,073.25  | 14.19 | 6.33  | 12.67 | 83.20 | 71.39 | 77.94 | 72.60 |
| \$1,000,000 | 840,146.75   | 728,823.50   | 789,269.00   | 738,323.50   | 111,323.25 | 50,877.75  | 101,823.25 | 13.25 | 6.06  | 12.12 | 84.01 | 72.88 | 78.93 | 73.83 |
| \$2,000,000 | 1,704,646.75 | 1,502,323.50 | 1,608,269.00 | 1,511,823.50 | 202,323.25 | 96,377.75  | 192,823.25 | 11.87 | 5.65  | 11.31 | 85.23 | 75.12 | 80.41 | 75.59 |
| \$5,000,000 | 4,275,000.00 | 3,822,823.50 | 4,050,000.00 | 3,825,000.00 | 452,176.50 | 225,000.00 | 450,000.00 | 10.58 | 5.26  | 10.53 | 85.50 | 78.46 | 81.00 | 76.50 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE X-B.—Comparison of individual income tax under present law and under the House bill and Finance Committee bill for persons 65 years of age and over

MARRIED PERSONS (BOTH OVER 65)—NO DEPENDENTS

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |         |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|---------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |         |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |         |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       | Percent |
| \$1,000.....                         |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |         |
| \$1,200.....                         | \$38.00       |            |                        |                               | \$38.00                 | \$38.00                | \$38.00                       | 100.00                | 100.00                 | 100.00                        | 3.17            |            |                        |                               |         |
| \$1,500.....                         | 95.00         |            |                        |                               | 95.00                   | 95.00                  | 95.00                         | 100.00                | 100.00                 | 100.00                        | 6.33            |            |                        |                               |         |
| \$1,800.....                         | 152.00        |            |                        |                               | 152.00                  | 152.00                 | 152.00                        | 100.00                | 100.00                 | 100.00                        | 8.44            |            |                        |                               |         |
| \$2,000.....                         | 190.00        |            |                        |                               | 190.00                  | 190.00                 | 190.00                        | 100.00                | 100.00                 | 100.00                        | 9.50            |            |                        |                               |         |
| \$2,500.....                         | 285.00        | \$68.50    | \$80.75                | \$66.50                       | 218.50                  | 204.25                 | 218.50                        | 76.67                 | 71.67                  | 76.67                         | 11.40           | 2.66       | 3.23                   | 2.60                          |         |
| \$3,000.....                         | 350.00        | 133.00     | 161.50                 | 133.00                        | 247.00                  | 218.50                 | 247.00                        | 65.00                 | 57.50                  | 65.00                         | 12.67           | 4.43       | 5.38                   | 4.43                          |         |
| \$4,000.....                         | 589.00        | 304.00     | 342.00                 | 304.00                        | 285.00                  | 247.00                 | 285.00                        | 48.39                 | 41.94                  | 48.39                         | 14.73           | 7.60       | 8.55                   | 7.60                          |         |
| \$5,000.....                         | 798.00        | 471.20     | 530.10                 | 471.20                        | 326.80                  | 267.90                 | 326.80                        | 40.95                 | 33.57                  | 40.95                         | 15.96           | 9.42       | 10.60                  | 9.42                          |         |
| \$6,000.....                         | 1,045.00      | 638.40     | 718.20                 | 638.40                        | 406.60                  | 326.80                 | 406.60                        | 38.91                 | 31.27                  | 38.91                         | 17.42           | 10.64      | 11.97                  | 10.64                         |         |
| \$7,000.....                         | 1,292.00      | 836.00     | 940.50                 | 836.00                        | 456.00                  | 351.50                 | 456.00                        | 35.29                 | 27.21                  | 35.29                         | 18.46           | 11.94      | 13.44                  | 11.94                         |         |
| \$8,000.....                         | 1,577.00      | 1,033.60   | 1,162.80               | 1,033.60                      | 543.40                  | 414.20                 | 543.40                        | 34.46                 | 26.27                  | 34.46                         | 19.71           | 12.92      | 14.54                  | 12.92                         |         |
| \$9,000.....                         | 1,862.00      | 1,261.60   | 1,419.30               | 1,261.60                      | 600.40                  | 442.70                 | 600.40                        | 32.24                 | 23.78                  | 32.24                         | 20.69           | 14.02      | 15.77                  | 14.02                         |         |
| \$10,000.....                        | 2,185.00      | 1,489.60   | 1,675.80               | 1,489.60                      | 695.40                  | 509.20                 | 695.40                        | 31.83                 | 23.30                  | 31.83                         | 21.85           | 14.90      | 16.76                  | 14.90                         |         |
| \$11,000.....                        | 2,508.00      | 1,748.00   | 1,966.50               | 1,748.00                      | 760.00                  | 541.50                 | 760.00                        | 30.30                 | 21.59                  | 30.30                         | 22.80           | 15.89      | 17.88                  | 15.89                         |         |
| \$12,000.....                        | 2,869.00      | 2,006.40   | 2,257.20               | 2,006.40                      | 862.60                  | 611.80                 | 862.60                        | 30.07                 | 21.32                  | 30.07                         | 23.91           | 16.72      | 18.81                  | 16.72                         |         |
| \$13,000.....                        | 3,230.00      | 2,295.20   | 2,582.10               | 2,295.20                      | 934.80                  | 647.90                 | 934.80                        | 28.94                 | 20.06                  | 28.94                         | 24.85           | 17.66      | 19.86                  | 17.66                         |         |
| \$14,000.....                        | 3,638.50      | 2,584.00   | 2,907.00               | 2,584.00                      | 1,054.50                | 731.50                 | 1,054.50                      | 28.98                 | 20.10                  | 28.98                         | 25.99           | 18.46      | 20.76                  | 18.46                         |         |
| \$15,000.....                        | 4,047.00      | 2,910.80   | 3,274.65               | 2,910.80                      | 1,136.20                | 772.35                 | 1,136.20                      | 28.08                 | 19.08                  | 28.08                         | 26.98           | 19.41      | 21.83                  | 19.41                         |         |
| \$20,000.....                        | 6,393.50      | 4,712.00   | 5,301.00               | 4,712.00                      | 1,681.50                | 1,092.50               | 1,681.50                      | 26.30                 | 17.09                  | 26.30                         | 31.97           | 23.56      | 26.51                  | 23.56                         |         |
| \$25,000.....                        | 9,082.00      | 6,817.20   | 7,663.35               | 6,817.20                      | 2,264.80                | 1,412.65               | 2,264.80                      | 24.94                 | 15.55                  | 24.94                         | 36.33           | 27.27      | 30.68                  | 27.27                         |         |
| \$30,000.....                        | 11,970.00     | 9,104.80   | 10,242.90              | 9,104.80                      | 2,865.00                | 1,727.10               | 2,865.00                      | 23.94                 | 14.43                  | 23.94                         | 39.90           | 30.35      | 34.14                  | 30.35                         |         |
| \$40,000.....                        | 18,097.50     | 13,953.60  | 15,697.80              | 13,953.60                     | 4,143.00                | 2,399.70               | 4,143.00                      | 22.90                 | 13.26                  | 22.90                         | 45.24           | 34.88      | 36.24                  | 34.88                         |         |
| \$50,000.....                        | 24,795.00     | 19,288.80  | 21,699.90              | 19,288.80                     | 5,506.00                | 3,095.10               | 5,506.00                      | 22.21                 | 12.48                  | 22.21                         | 49.59           | 38.58      | 43.40                  | 38.58                         |         |

|             |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|-------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$60,000    | 31,891.50    | 24,943.20    | 28,061.10    | 24,943.20    | 6,948.30   | 3,830.40   | 6,948.30   | 21.79 | 12.01 | 21.79 | 53.15 | 41.57 | 46.77 | 41.57 |
| \$70,000    | 39,273.00    | 30,825.60    | 34,678.80    | 30,825.60    | 8,447.40   | 4,594.20   | 8,447.40   | 21.51 | 11.70 | 21.51 | 56.10 | 44.04 | 49.54 | 44.04 |
| \$80,000    | 46,939.50    | 36,936.00    | 41,553.00    | 36,936.00    | 10,003.50  | 5,386.50   | 10,003.50  | 21.31 | 11.48 | 21.31 | 58.67 | 46.17 | 51.94 | 46.17 |
| \$90,000    | 54,891.00    | 43,274.40    | 48,857.20    | 43,604.05    | 11,616.60  | 6,033.80   | 11,286.95  | 21.16 | 10.99 | 20.56 | 60.99 | 48.08 | 54.29 | 48.45 |
| \$100,000   | 63,127.50    | 49,840.80    | 56,460.40    | 50,580.85    | 13,286.70  | 6,667.10   | 12,546.65  | 21.05 | 10.56 | 19.88 | 63.13 | 49.84 | 56.46 | 50.58 |
| \$150,000   | 105,383.50   | 83,030.40    | 95,585.20    | 86,482.30    | 21,753.10  | 9,798.30   | 18,901.20  | 20.64 | 9.30  | 17.94 | 70.26 | 55.75 | 63.72 | 57.65 |
| \$200,000   | 148,124.00   | 117,815.20   | 135,167.60   | 122,803.65   | 30,303.80  | 12,956.40  | 25,320.35  | 20.46 | 8.75  | 17.09 | 74.06 | 58.91 | 67.58 | 61.40 |
| \$250,000   | 191,339.50   | 152,380.00   | 175,190.00   | 159,528.75   | 38,959.50  | 16,149.50  | 31,810.75  | 20.36 | 8.44  | 16.63 | 76.54 | 60.95 | 70.08 | 63.81 |
| \$300,000   | 234,564.50   | 186,960.00   | 215,230.00   | 196,270.00   | 47,604.50  | 19,534.50  | 38,294.50  | 20.29 | 8.24  | 16.33 | 78.19 | 62.32 | 71.74 | 65.42 |
| \$400,000   | 321,014.50   | 263,950.00   | 297,050.00   | 273,450.00   | 57,064.50  | 23,864.50  | 47,564.50  | 17.78 | 7.47  | 14.82 | 80.25 | 65.99 | 74.26 | 68.36 |
| \$500,000   | 407,464.50   | 341,300.00   | 378,950.00   | 350,800.00   | 66,164.50  | 28,514.50  | 56,664.50  | 16.24 | 7.00  | 13.91 | 81.49 | 68.26 | 75.79 | 70.16 |
| \$750,000   | 623,589.50   | 534,675.00   | 583,700.00   | 544,175.00   | 88,914.50  | 39,889.50  | 79,414.50  | 14.26 | 6.40  | 12.74 | 83.15 | 71.29 | 77.83 | 72.56 |
| \$1,000,000 | 839,714.50   | 728,050.00   | 788,450.00   | 737,550.00   | 111,664.50 | 51,264.50  | 102,164.50 | 13.30 | 6.10  | 12.17 | 83.97 | 72.81 | 78.85 | 73.76 |
| \$2,000,000 | 1,704,214.50 | 1,501,550.00 | 1,607,450.00 | 1,511,050.00 | 202,664.50 | 96,764.50  | 193,164.50 | 11.89 | 5.68  | 11.33 | 85.21 | 75.08 | 80.37 | 75.55 |
| \$5,000,000 | 4,275,000.00 | 3,822,050.00 | 4,050,000.00 | 3,825,000.00 | 452,950.00 | 225,000.00 | 450,000.00 | 10.60 | 5.26  | 10.53 | 85.50 | 76.44 | 81.00 | 76.50 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

**TABLE X-C.—Comparison of individual income tax under present law, under the House bill, and Finance Committee bill for persons 65 years of age and over**

**MARRIED PERSONS (BOTH OVER 65)—TWO DEPENDENTS**

| Net income before personal exemption | Amount of tax |            |                        |                               | Amount of tax reduction |                        |                               | Percent tax reduction |                        |                               | Effective rates |            |                        |                               |         |
|--------------------------------------|---------------|------------|------------------------|-------------------------------|-------------------------|------------------------|-------------------------------|-----------------------|------------------------|-------------------------------|-----------------|------------|------------------------|-------------------------------|---------|
|                                      | Present law   | House bill | Finance Committee bill |                               | House bill              | Finance Committee bill |                               | House bill            | Finance Committee bill |                               | Present law     | House bill | Finance Committee bill |                               |         |
|                                      |               |            | For 1947               | For 1948 and subsequent years |                         | For 1947               | For 1948 and subsequent years |                       | For 1947               | For 1948 and subsequent years |                 |            | For 1947               | For 1948 and subsequent years |         |
|                                      |               |            |                        |                               |                         |                        |                               | Percent               | Percent                | Percent                       | Percent         | Percent    | Percent                | Percent                       | Percent |
| \$2,000.....                         |               |            |                        |                               |                         |                        |                               |                       |                        |                               |                 |            |                        |                               |         |
| \$2,500.....                         | \$95.00       |            |                        |                               | \$95.00                 | \$95.00                | \$95.00                       | 100.00                | 100.00                 | 100.00                        | 3.80            |            |                        |                               |         |
| \$3,000.....                         | 190.00        |            |                        |                               | 190.00                  | 190.00                 | 190.00                        | 100.00                | 100.00                 | 100.00                        | 6.33            |            |                        |                               |         |
| \$4,000.....                         | 380.00        | \$133.00   | \$161.50               | \$133.00                      | 247.00                  | 218.50                 | 247.00                        | 65.00                 | 57.50                  | 65.00                         | 9.50            | 3.33       | 4.04                   |                               | 3.33    |
| \$5,000.....                         | 589.00        | 304.00     | 342.00                 | 304.00                        | 285.00                  | 247.00                 | 285.00                        | 48.39                 | 41.94                  | 48.39                         | 11.78           | 6.08       | 6.84                   |                               | 6.08    |
| \$6,000.....                         | 798.00        | 471.20     | 530.10                 | 471.20                        | 326.80                  | 267.90                 | 326.80                        | 40.95                 | 33.57                  | 40.95                         | 13.30           | 7.85       | 8.84                   |                               | 7.85    |
| \$7,000.....                         | 1,045.00      | 638.40     | 718.20                 | 638.40                        | 406.60                  | 326.50                 | 406.60                        | 38.91                 | 31.27                  | 38.91                         | 14.93           | 9.12       | 10.26                  |                               | 9.12    |
| \$8,000.....                         | 1,292.00      | 836.00     | 940.50                 | 836.00                        | 456.00                  | 351.50                 | 456.00                        | 35.29                 | 27.21                  | 35.29                         | 16.15           | 10.45      | 11.76                  |                               | 10.45   |
| \$9,000.....                         | 1,577.00      | 1,033.60   | 1,162.80               | 1,033.60                      | 543.40                  | 414.20                 | 543.40                        | 34.46                 | 26.27                  | 34.46                         | 17.52           | 11.48      | 12.92                  |                               | 11.48   |
| \$10,000.....                        | 1,862.00      | 1,261.60   | 1,419.30               | 1,261.60                      | 600.40                  | 442.70                 | 600.40                        | 32.24                 | 23.78                  | 32.24                         | 18.62           | 12.62      | 14.19                  |                               | 12.62   |
| \$11,000.....                        | 2,185.00      | 1,489.60   | 1,675.80               | 1,489.60                      | 695.40                  | 509.20                 | 695.40                        | 31.83                 | 23.30                  | 31.83                         | 19.86           | 13.54      | 15.23                  |                               | 13.54   |
| \$12,000.....                        | 2,508.00      | 1,748.60   | 1,966.50               | 1,748.00                      | 760.00                  | 541.50                 | 760.00                        | 30.30                 | 21.59                  | 30.30                         | 20.90           | 14.57      | 16.39                  |                               | 14.57   |
| \$13,000.....                        | 2,869.00      | 2,006.40   | 2,257.20               | 2,006.40                      | 862.00                  | 611.80                 | 862.00                        | 30.07                 | 21.32                  | 30.07                         | 22.07           | 15.43      | 17.36                  |                               | 15.43   |
| \$14,000.....                        | 3,230.00      | 2,295.20   | 2,582.10               | 2,295.20                      | 934.80                  | 647.90                 | 934.80                        | 28.94                 | 20.06                  | 28.94                         | 23.07           | 16.39      | 18.44                  |                               | 16.39   |
| \$15,000.....                        | 3,638.50      | 2,584.00   | 2,907.00               | 2,584.00                      | 1,054.50                | 731.50                 | 1,054.50                      | 28.98                 | 20.10                  | 28.98                         | 24.26           | 17.23      | 19.38                  |                               | 17.23   |
| \$20,000.....                        | 5,890.00      | 4,332.00   | 4,873.50               | 4,332.00                      | 1,558.00                | 1,016.50               | 1,558.00                      | 26.45                 | 17.26                  | 26.45                         | 28.45           | 21.66      | 24.37                  |                               | 21.66   |
| \$25,000.....                        | 8,521.50      | 6,368.80   | 7,164.90               | 6,368.80                      | 2,152.70                | 1,356.60               | 2,152.70                      | 25.26                 | 15.92                  | 25.26                         | 34.09           | 25.48      | 28.66                  |                               | 25.48   |
| \$30,000.....                        | 11,381.00     | 8,633.60   | 9,712.80               | 8,633.60                      | 2,747.40                | 1,668.20               | 2,747.40                      | 24.14                 | 14.66                  | 24.14                         | 37.94           | 28.78      | 32.38                  |                               | 28.78   |
| \$40,000.....                        | 17,442.00     | 13,459.60  | 15,142.05              | 13,459.60                     | 3,982.40                | 2,290.95               | 3,982.40                      | 22.83                 | 13.19                  | 22.83                         | 43.61           | 33.65      | 37.86                  |                               | 33.65   |
| \$50,000.....                        | 24,111.00     | 18,741.60  | 21,084.30              | 18,741.60                     | 5,369.40                | 3,026.70               | 5,369.40                      | 22.27                 | 12.55                  | 22.27                         | 48.22           | 37.48      | 42.17                  |                               | 37.48   |
| \$60,000.....                        | 31,179.00     | 24,373.20  | 27,419.85              | 24,373.20                     | 6,805.80                | 3,759.15               | 6,805.80                      | 21.83                 | 12.06                  | 21.83                         | 51.97           | 40.62      | 45.70                  |                               | 40.62   |
| \$70,000.....                        | 38,532.00     | 30,232.80  | 34,011.90              | 30,232.80                     | 8,299.20                | 4,520.10               | 8,299.20                      | 21.54                 | 11.73                  | 21.54                         | 55.05           | 43.19      | 48.59                  |                               | 43.19   |
| \$80,000.....                        | 46,170.00     | 36,320.40  | 40,860.45              | 36,320.40                     | 9,949.60                | 5,309.55               | 9,949.60                      | 21.33                 | 11.50                  | 21.33                         | 57.71           | 45.40      | 51.08                  |                               | 45.40   |
| \$90,000.....                        | 54,093.00     | 42,636.00  | 48,118.00              | 42,925.75                     | 11,457.00               | 5,975.00               | 11,167.25                     | 21.18                 | 11.05                  | 20.61                         | 60.10           | 47.37      | 53.46                  |                               | 47.70   |

|                  |              |              |              |              |            |            |            |       |       |       |       |       |       |       |
|------------------|--------------|--------------|--------------|--------------|------------|------------|------------|-------|-------|-------|-------|-------|-------|-------|
| \$100,000-----   | 62,301.00    | 49,179.60    | 55,694.80    | 49,878.33    | 13,121.40  | 6,606.20   | 12,422.67  | 21.06 | 10.60 | 19.94 | 62.30 | 49.18 | 55.69 | 49.88 |
| \$150,000-----   | 164,538.00   | 82,954.00    | 94,802.00    | 85,763.63    | 21,584.00  | 9,736.00   | 18,774.37  | 20.65 | 9.31  | 17.96 | 69.69 | 55.30 | 63.20 | 57.18 |
| \$200,000-----   | 147,269.00   | 117,131.20   | 134,375.60   | 122,076.90   | 30,137.80  | 12,893.40  | 25,192.10  | 20.46 | 8.75  | 17.11 | 73.63 | 58.57 | 67.19 | 61.04 |
| \$250,000-----   | 199,475.00   | 151,688.40   | 174,389.20   | 158,793.93   | 38,786.60  | 16,085.80  | 31,681.07  | 20.36 | 8.45  | 16.63 | 76.19 | 60.68 | 69.76 | 63.52 |
| \$300,000-----   | 233,700.00   | 186,268.40   | 214,429.20   | 195,535.18   | 47,431.60  | 19,270.80  | 38,164.82  | 20.30 | 8.25  | 16.33 | 77.90 | 62.09 | 71.48 | 65.18 |
| \$400,000-----   | 320,150.00   | 263,176.50   | 295,231.00   | 272,676.50   | 56,973.50  | 23,919.00  | 47,473.50  | 17.80 | 7.47  | 14.83 | 80.04 | 65.79 | 74.06 | 68.17 |
| \$500,000-----   | 406,600.00   | 340,526.50   | 378,131.00   | 350,026.50   | 66,073.50  | 28,469.00  | 56,573.50  | 16.25 | 7.00  | 13.91 | 81.32 | 68.11 | 75.63 | 70.01 |
| \$750,000-----   | 622,725.00   | 533,901.50   | 582,881.00   | 543,401.50   | 88,823.50  | 39,844.00  | 79,323.50  | 14.26 | 6.40  | 12.74 | 83.03 | 71.19 | 77.72 | 72.45 |
| \$1,000,000----- | 838,850.00   | 727,276.50   | 787,631.00   | 736,776.50   | 111,573.50 | 51,219.00  | 102,073.50 | 13.30 | 6.11  | 12.17 | 83.89 | 72.73 | 78.76 | 73.68 |
| \$2,000,000----- | 1,763,350.00 | 1,500,776.50 | 1,606,631.00 | 1,510,276.50 | 202,573.50 | 96,719.00  | 193,073.50 | 11.89 | 5.68  | 11.33 | 85.17 | 75.04 | 80.33 | 75.51 |
| \$5,000,000----- | 4,275,000.00 | 3,821,276.50 | 4,050,000.00 | 3,825,000.00 | 453,723.50 | 225,000.00 | 450,000.00 | 10.61 | 5.26  | 10.53 | 85.50 | 76.43 | 81.00 | 76.50 |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE XI-A.—Comparison of spendable income under present law, House bill, and Finance Committee bill

## SINGLE PERSONS—NO DEPENDENTS

| Net income before personal exemption | Spendable income after tax |              |                        |                               | Percent of spendable income after tax to net income before personal exemption |            |                        |                               |
|--------------------------------------|----------------------------|--------------|------------------------|-------------------------------|---|------------|------------------------|-------------------------------|
|                                      | Present law                | House bill   | Finance Committee bill |                               | Present law   | House bill | Finance Committee bill |                               |
|                                      |                            |              | For 1947               | For 1948 and subsequent years |   |            | For 1947               | For 1948 and subsequent years |
|                                      |                            |              |                        |                               | Percent   | Percent    | Percent                | Percent                       |
| \$500.....                           | \$500.00                   | \$500.00     | \$500.00               | \$500.00                      | 100.00  | 100.00     | 100.00                 | 100.00                        |
| \$600.....                           | 581.00                     | 586.70       | 583.85                 | 586.70                        | 96.83   | 97.78      | 97.31                  | 97.78                         |
| \$700.....                           | 662.00                     | 643.40       | 667.70                 | 643.40                        | 94.57   | 96.20      | 95.39                  | 96.20                         |
| \$750.....                           | 702.50                     | 716.75       | 709.63                 | 716.75                        | 93.67   | 95.57      | 94.62                  | 95.57                         |
| \$800.....                           | 743.00                     | 760.10       | 751.55                 | 760.10                        | 92.88   | 95.01      | 93.94                  | 95.01                         |
| \$900.....                           | 824.00                     | 846.80       | 835.40                 | 846.80                        | 91.56   | 94.09      | 92.82                  | 94.09                         |
| \$1,000.....                         | 905.00                     | 933.50       | 919.25                 | 933.50                        | 90.50   | 93.35      | 91.93                  | 93.35                         |
| \$1,200.....                         | 1,067.00                   | 1,106.90     | 1,086.95               | 1,106.90                      | 88.92   | 92.24      | 90.58                  | 92.24                         |
| \$1,500.....                         | 1,310.00                   | 1,367.00     | 1,338.50               | 1,367.00                      | 87.33   | 91.13      | 89.23                  | 91.13                         |
| \$1,800.....                         | 1,533.00                   | 1,607.00     | 1,578.50               | 1,607.00                      | 86.28   | 89.28      | 87.69                  | 89.28                         |
| \$2,000.....                         | 1,715.00                   | 1,772.00     | 1,743.50               | 1,772.00                      | 85.75   | 88.60      | 87.18                  | 88.60                         |
| \$2,500.....                         | 2,120.00                   | 2,196.00     | 2,168.00               | 2,196.00                      | 84.80   | 87.84      | 86.32                  | 87.84                         |
| \$3,000.....                         | 2,515.50                   | 2,612.40     | 2,583.95               | 2,612.40                      | 83.85   | 87.08      | 85.47                  | 87.08                         |
| \$4,000.....                         | 3,306.50                   | 3,445.20     | 3,375.85               | 3,445.20                      | 82.66   | 86.13      | 84.40                  | 86.13                         |
| \$5,000.....                         | 4,078.50                   | 4,262.80     | 4,170.65               | 4,262.80                      | 81.57   | 85.26      | 83.41                  | 85.26                         |
| \$6,000.....                         | 4,831.50                   | 5,065.20     | 4,948.35               | 5,065.20                      | 80.53   | 84.42      | 82.47                  | 84.42                         |
| \$7,000.....                         | 5,565.50                   | 5,852.40     | 5,708.95               | 5,852.40                      | 79.51   | 83.01      | 81.56                  | 83.01                         |
| \$8,000.....                         | 6,280.50                   | 6,624.40     | 6,452.45               | 6,624.40                      | 78.51   | 82.81      | 80.60                  | 82.81                         |
| \$9,000.....                         | 6,976.50                   | 7,381.20     | 7,178.85               | 7,381.20                      | 77.52   | 82.01      | 79.77                  | 82.01                         |
| \$10,000.....                        | 7,653.50                   | 8,122.80     | 7,888.15               | 8,122.80                      | 76.54   | 81.23      | 78.88                  | 81.23                         |
| \$11,000.....                        | 8,311.50                   | 8,849.20     | 8,580.35               | 8,849.20                      | 75.56   | 80.45      | 78.00                  | 80.45                         |
| \$12,000.....                        | 8,950.50                   | 9,560.40     | 9,255.45               | 9,560.40                      | 74.59   | 79.67      | 77.13                  | 79.67                         |
| \$13,000.....                        | 9,565.75                   | 10,252.60    | 9,909.17               | 10,252.60                     | 73.58   | 78.87      | 76.22                  | 78.87                         |
| \$14,000.....                        | 10,157.25                  | 10,925.80    | 10,541.52              | 10,925.80                     | 72.55   | 78.04      | 75.30                  | 78.04                         |
| \$15,000.....                        | 10,729.75                  | 11,583.80    | 11,166.77              | 11,583.80                     | 71.53   | 77.23      | 74.38                  | 77.23                         |
| \$20,000.....                        | 13,354.75                  | 14,683.80    | 14,019.27              | 14,683.80                     | 66.77   | 73.42      | 70.10                  | 73.42                         |
| \$25,000.....                        | 15,637.75                  | 17,510.20    | 16,573.97              | 17,510.20                     | 62.55   | 70.04      | 66.30                  | 70.04                         |
| \$30,000.....                        | 17,735.50                  | 20,188.40    | 18,961.95              | 20,188.40                     | 59.12   | 67.29      | 63.21                  | 67.29                         |
| \$40,000.....                        | 21,574.75                  | 25,259.80    | 23,417.27              | 25,259.80                     | 53.94   | 63.15      | 58.54                  | 63.15                         |
| \$50,000.....                        | 24,863.00                  | 29,890.40    | 27,376.70              | 29,890.40                     | 49.73   | 59.78      | 54.75                  | 59.78                         |
| \$60,000.....                        | 27,752.25                  | 34,201.80    | 30,977.02              | 34,201.80                     | 46.25   | 57.00      | 51.63                  | 57.00                         |
| \$70,000.....                        | 30,356.50                  | 38,285.20    | 34,320.85              | 38,285.20                     | 43.37   | 54.69      | 49.03                  | 54.69                         |
| \$80,000.....                        | 32,675.75                  | 42,140.60    | 37,408.17              | 42,140.60                     | 40.84   | 52.68      | 46.76                  | 52.68                         |
| \$90,000.....                        | 34,710.00                  | 45,768.00    | 40,034.00              | 45,378.50                     | 38.57   | 50.85      | 44.48                  | 50.42                         |
| \$100,000.....                       | 36,459.25                  | 49,167.40    | 42,391.20              | 48,365.36                     | 36.46   | 49.17      | 42.39                  | 48.37                         |
| \$150,000.....                       | 44,193.75                  | 65,355.00    | 53,240.00              | 62,439.69                     | 29.46   | 43.57      | 35.40                  | 41.63                         |
| \$200,000.....                       | 51,448.50                  | 81,158.80    | 63,644.40              | 76,106.22                     | 25.72   | 40.58      | 31.82                  | 38.05                         |
| \$250,000.....                       | 58,228.25                  | 96,582.60    | 73,608.80              | 89,369.01                     | 23.29   | 38.63      | 29.44                  | 35.75                         |
| \$300,000.....                       | 65,003.25                  | 112,002.00   | 83,568.80              | 102,627.70                    | 21.67   | 37.33      | 27.86                  | 34.21                         |
| \$400,000.....                       | 78,553.25                  | 134,889.75   | 101,721.50             | 125,389.75                    | 19.64   | 33.72      | 25.43                  | 31.35                         |
| \$500,000.....                       | 92,103.25                  | 157,539.75   | 119,821.50             | 148,039.75                    | 18.42   | 31.51      | 23.90                  | 29.61                         |
| \$750,000.....                       | 125,978.25                 | 214,164.75   | 165,071.50             | 206,664.75                    | 16.80   | 28.56      | 22.01                  | 27.56                         |
| \$1,000,000.....                     | 159,853.25                 | 270,789.75   | 210,321.50             | 261,289.75                    | 15.99   | 27.08      | 21.03                  | 26.13                         |
| \$2,000,000.....                     | 295,353.25                 | 497,289.75   | 391,321.50             | 487,789.75                    | 14.77   | 24.86      | 19.57                  | 24.39                         |
| \$5,000,000.....                     | 725,000.00                 | 1,176,789.75 | 950,000.00             | 1,176,000.00                  | 14.50   | 23.54      | 19.00                  | 23.50                         |

Source: Staff of the Joint Committee on Internal Revenue Taxation

TABLE XI-B.—Comparison of spendable income under present law, House bill, and Finance Committee bill

## MARRIED PERSON—NO DEPENDENTS

| Net income before personal exemption | Spendable income after tax |              |                        |                               | Percent of spendable income after tax to net income before personal exemption |            |                        |                               |
|--------------------------------------|----------------------------|--------------|------------------------|-------------------------------|---|------------|------------------------|-------------------------------|
|                                      | Present law                | House bill   | Finance Committee bill |                               | Present law   | House bill | Finance Committee bill |                               |
|                                      |                            |              | For 1947               | For 1948 and subsequent years |   |            | For 1947               | For 1948 and subsequent years |
| \$1,000.....                         | 1,000.00                   | 1,000.00     | 1,000.00               | 1,000.00                      | 100.00  | 100.00     | 100.00                 | 100.00                        |
| \$1,200.....                         | 1,162.00                   | 1,173.40     | 1,167.70               | 1,173.40                      | 96.83   | 97.78      | 97.31                  | 97.78                         |
| \$1,500.....                         | 1,405.00                   | 1,433.50     | 1,419.25               | 1,433.50                      | 93.67   | 95.57      | 94.62                  | 95.57                         |
| \$1,800.....                         | 1,648.00                   | 1,693.50     | 1,670.80               | 1,693.60                      | 91.56   | 94.08      | 92.82                  | 94.08                         |
| \$2,000.....                         | 1,810.00                   | 1,867.00     | 1,838.50               | 1,867.00                      | 90.50   | 93.35      | 91.93                  | 93.35                         |
| \$2,500.....                         | 2,215.00                   | 2,272.00     | 2,243.50               | 2,272.00                      | 88.60   | 90.88      | 89.74                  | 90.88                         |
| \$3,000.....                         | 2,620.00                   | 2,696.00     | 2,658.00               | 2,696.00                      | 87.33   | 89.87      | 88.60                  | 89.87                         |
| \$4,000.....                         | 3,411.00                   | 3,528.80     | 3,469.90               | 3,528.80                      | 85.28   | 88.22      | 86.75                  | 88.22                         |
| \$5,000.....                         | 4,202.00                   | 4,361.60     | 4,281.80               | 4,361.60                      | 84.04   | 87.23      | 85.64                  | 87.23                         |
| \$6,000.....                         | 4,955.00                   | 5,164.00     | 5,059.50               | 5,164.00                      | 82.58   | 86.07      | 84.33                  | 86.07                         |
| \$7,000.....                         | 5,708.00                   | 5,966.40     | 5,837.20               | 5,966.40                      | 81.54   | 85.23      | 83.39                  | 85.23                         |
| \$8,000.....                         | 6,420.00                   | 6,738.40     | 6,580.70               | 6,738.40                      | 80.29   | 84.23      | 82.26                  | 84.23                         |
| \$9,000.....                         | 7,138.00                   | 7,510.40     | 7,324.20               | 7,510.40                      | 79.31   | 83.45      | 81.38                  | 83.45                         |
| \$10,000.....                        | 7,815.00                   | 8,252.00     | 8,033.50               | 8,252.00                      | 78.15   | 82.52      | 80.34                  | 82.52                         |
| \$11,000.....                        | 8,492.00                   | 8,993.60     | 8,742.80               | 8,993.60                      | 77.20   | 81.76      | 79.48                  | 81.76                         |
| \$12,000.....                        | 9,131.00                   | 9,704.80     | 9,417.90               | 9,704.80                      | 76.09   | 80.87      | 78.48                  | 80.87                         |
| \$13,000.....                        | 9,770.00                   | 10,416.00    | 10,093.00              | 10,416.00                     | 75.15   | 80.12      | 77.64                  | 80.12                         |
| \$14,000.....                        | 10,361.50                  | 11,089.20    | 10,725.35              | 11,089.20                     | 74.01   | 79.21      | 76.61                  | 79.21                         |
| \$15,000.....                        | 10,953.00                  | 11,762.40    | 11,357.70              | 11,762.40                     | 73.02   | 78.42      | 75.72                  | 78.42                         |
| \$20,000.....                        | 13,606.50                  | 14,885.20    | 14,245.85              | 14,885.20                     | 68.03   | 74.43      | 71.23                  | 74.43                         |
| \$25,000.....                        | 15,918.00                  | 17,734.00    | 16,826.20              | 17,734.00                     | 63.67   | 70.94      | 67.30                  | 70.94                         |
| \$30,000.....                        | 18,030.00                  | 20,424.00    | 19,227.00              | 20,424.00                     | 60.10   | 68.08      | 64.09                  | 68.08                         |
| \$40,000.....                        | 21,902.50                  | 25,522.00    | 23,712.25              | 25,522.00                     | 54.78   | 63.81      | 59.28                  | 63.81                         |
| \$50,000.....                        | 25,205.00                  | 30,164.00    | 27,684.50              | 30,164.00                     | 50.41   | 60.33      | 55.37                  | 60.33                         |
| \$60,000.....                        | 28,108.50                  | 34,486.80    | 31,297.65              | 34,486.80                     | 46.85   | 57.48      | 52.16                  | 57.48                         |
| \$70,000.....                        | 30,727.00                  | 38,581.60    | 34,654.30              | 38,581.60                     | 43.90   | 55.12      | 49.51                  | 55.12                         |
| \$80,000.....                        | 33,060.50                  | 42,448.40    | 37,754.45              | 42,448.40                     | 41.33   | 53.06      | 47.19                  | 53.06                         |
| \$90,000.....                        | 35,109.00                  | 46,087.20    | 40,403.60              | 46,087.20                     | 39.01   | 51.21      | 44.99                  | 51.21                         |
| \$100,000.....                       | 36,872.50                  | 49,498.00    | 42,774.00              | 49,498.00                     | 36.87   | 49.50      | 42.77                  | 49.50                         |
| \$150,000.....                       | 44,616.50                  | 65,693.20    | 53,631.60              | 65,693.20                     | 29.74   | 43.80      | 35.75                  | 43.80                         |
| \$200,000.....                       | 51,876.00                  | 81,500.80    | 64,040.40              | 81,500.80                     | 25.94   | 40.75      | 32.02                  | 40.75                         |
| \$250,000.....                       | 58,660.50                  | 96,928.40    | 74,009.20              | 96,928.40                     | 23.46   | 38.77      | 29.60                  | 38.77                         |
| \$300,000.....                       | 65,435.50                  | 112,348.40   | 83,969.20              | 112,348.40                    | 21.81   | 37.45      | 27.99                  | 37.45                         |
| \$400,000.....                       | 78,985.50                  | 135,276.50   | 102,131.00             | 135,276.50                    | 19.75   | 33.82      | 25.53                  | 33.82                         |
| \$500,000.....                       | 92,535.50                  | 157,926.50   | 120,231.00             | 157,926.50                    | 18.51   | 31.59      | 24.05                  | 31.59                         |
| \$750,000.....                       | 126,410.50                 | 214,551.50   | 165,481.00             | 214,551.50                    | 16.85   | 28.61      | 22.06                  | 28.61                         |
| \$1,000,000.....                     | 160,285.50                 | 271,176.50   | 210,731.00             | 271,176.50                    | 16.03   | 27.12      | 21.07                  | 27.12                         |
| \$2,000,000.....                     | 295,785.50                 | 497,676.50   | 391,731.00             | 497,676.50                    | 14.79   | 24.88      | 19.59                  | 24.88                         |
| \$5,000,000.....                     | 725,000.00                 | 1,177,176.50 | 950,000.00             | 1,177,176.50                  | 14.50   | 23.54      | 19.00                  | 23.54                         |

Source: Staff of the Joint Committee on Internal Revenue Taxation.

TABLE XIII.—The estimated individual income-tax liability under present law, H. R. 1 as passed by the House, and the Senate Finance Committee bill with the half reduction in tax <sup>1</sup> (with assumed income payments of \$170 billions <sup>2</sup>)

[Money amounts in millions]

| Net income classes (in thousands) | Taxable returns |                      | Net income |                      | Tax liability under — |                      |                                |                      |                               |                      | Decrease in tax over present law |                                      |                               |                                      |                                |                                      |                               |                                      |
|-----------------------------------|-----------------|----------------------|------------|----------------------|-----------------------|----------------------|--------------------------------|----------------------|-------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
|                                   | Number          | Percent distribution | Amount     | Percent distribution | Present law           |                      | H. R. 1 as passed by the House |                      | Senate Finance Committee bill |                      | H. R. 1 as passed by the House   |                                      | Senate Finance Committee bill |                                      | H. R. 1 as passed by the House |                                      | Senate Finance Committee bill |                                      |
|                                   |                 |                      |            |                      | Amount                | Percent distribution | Amount                         | Percent distribution | Amount                        | Percent distribution | Amount                           |                                      |                               |                                      | Percentage distribution        |                                      |                               |                                      |
|                                   |                 |                      |            |                      |                       |                      |                                |                      |                               |                      | Simple distribution              | Cumulated from smallest income class | Simple distribution           | Cumulated from smallest income class | Simple distribution            | Cumulated from smallest income class | Simple distribution           | Cumulated from smallest income class |
| \$0 to \$1.....                   | 6,989,303       | 14.07                | \$5,417    | 4.47                 | \$365                 | 2.05                 | \$252                          | 1.84                 | \$303                         | 1.94                 | \$113                            | \$113                                | \$62                          | \$62                                 | 2.79                           | 2.79                                 | 2.94                          | 2.94                                 |
| \$1 to \$2.....                   | 19,201,704      | 38.66                | 28,731     | 23.71                | 2,746                 | 15.47                | 1,889                          | 13.78                | 2,287                         | 14.32                | 856                              | 969                                  | 459                           | 521                                  | 21.17                          | 23.96                                | 21.72                         | 24.66                                |
| \$2 to \$3.....                   | 13,519,423      | 27.22                | 33,479     | 27.63                | 3,368                 | 18.97                | 2,565                          | 18.71                | 2,939                         | 18.79                | 803                              | 1,772                                | 429                           | 950                                  | 19.86                          | 43.82                                | 20.29                         | 44.95                                |
| \$3 to \$4.....                   | 6,103,173       | 12.29                | 20,843     | 17.20                | 2,384                 | 13.43                | 1,867                          | 13.62                | 2,089                         | 13.36                | 517                              | 2,289                                | 295                           | 1,245                                | 12.78                          | 56.60                                | 13.95                         | 58.90                                |
| \$4 to \$5.....                   | 1,909,500       | 3.84                 | 8,440      | 6.97                 | 1,136                 | 6.40                 | 898                            | 6.55                 | 1,007                         | 6.44                 | 238                              | 2,527                                | 129                           | 1,374                                | 5.89                           | 62.49                                | 6.10                          | 65.00                                |
| Total under 5.....                | 47,723,103      | 96.08                | 96,900     | 79.98                | 9,999                 | 50.32                | 7,472                          | 54.50                | 8,625                         | 55.15                | 2,527                            | -----                                | 1,374                         | -----                                | 62.49                          | -----                                | 65.00                         | -----                                |
| \$5 to \$10.....                  | 1,265,539       | 2.55                 | 8,450      | 6.98                 | 1,453                 | 8.18                 | 1,151                          | 8.39                 | 1,291                         | 8.25                 | 302                              | 2,829                                | 162                           | 1,536                                | 7.47                           | 69.96                                | 7.66                          | 72.66                                |
| \$10 to \$25.....                 | 530,578         | 1.07                 | 7,850      | 6.48                 | 2,125                 | 11.97                | 1,698                          | 12.38                | 1,907                         | 12.19                | 427                              | 3,256                                | 218                           | 1,754                                | 10.55                          | 80.51                                | 10.31                         | 82.97                                |
| \$25 to \$50.....                 | 105,950         | .21                  | 3,580      | 2.96                 | 1,501                 | 8.45                 | 1,205                          | 9.79                 | 1,350                         | 8.63                 | 296                              | 3,552                                | 151                           | 1,905                                | 7.32                           | 87.83                                | 7.14                          | 90.11                                |
| \$50 to \$100.....                | 36,593          | .07                  | 2,537      | 2.09                 | 1,385                 | 7.80                 | 1,116                          | 8.14                 | 1,272                         | 8.13                 | 269                              | 3,821                                | 113                           | 2,018                                | 6.65                           | 94.48                                | 5.35                          | 95.46                                |
| \$100 to \$300.....               | 8,158           | .02                  | 1,260      | 1.04                 | 857                   | 4.83                 | 695                            | 5.07                 | 787                           | 5.03                 | 162                              | 3,983                                | 70                            | 2,088                                | 4.01                           | 98.49                                | 3.31                          | 98.77                                |
| \$300 to \$500.....               | 570             | ( <sup>3</sup> )     | 216        | .18                  | 161                   | .91                  | 133                            | .97                  | 150                           | .96                  | 28                               | 4,011                                | 11                            | 2,099                                | .69                            | 99.18                                | .52                           | 99.29                                |
| \$500 to \$1,000.....             | 290             | ( <sup>4</sup> )     | 197        | .16                  | 145                   | .82                  | 126                            | .92                  | 137                           | .98                  | 19                               | 4,030                                | 8                             | 2,107                                | .47                            | 99.65                                | .38                           | 99.67                                |
| \$1,000 and over.....             | 82              | ( <sup>4</sup> )     | 163        | .13                  | 129                   | .72                  | 115                            | .84                  | 122                           | .78                  | 14                               | 4,044                                | 7                             | 2,114                                | .35                            | 100.00                               | .33                           | 100.00                               |
| Total over 5.....                 | 1,948,060       | 3.92                 | 24,253     | 20.02                | 7,756                 | 43.68                | 6,239                          | 45.50                | 7,016                         | 44.85                | 1,517                            | -----                                | 740                           | -----                                | 37.51                          | -----                                | 35.00                         | -----                                |
| Grand total.....                  | 49,671,163      | 100.00               | 121,153    | 100.00               | 17,755                | 100.00               | 13,711                         | 100.00               | 15,641                        | 100.00               | 4,044                            | -----                                | 2,114                         | -----                                | 100.00                         | -----                                | 100.00                        | -----                                |

<sup>1</sup> The half reduction in tax is effective under the Finance Committee bill in the calendar year 1947 only.

<sup>2</sup> This and the following table are for comparative purposes presented on the basis of income payments of \$170 billion. This does not represent a forecast for the calendar year 1947.

<sup>3</sup> Normal tax, surtax and alternative tax on capital gains.

<sup>4</sup> Less than 0.01.

NOTE.—Figures do not necessarily add to totals because of rounding.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

**TABLE XII-B.—The estimated individual income tax liability under present law, H. R. 1 as passed by the House, and the Senate Finance Committee bill with the full reduction in tax <sup>1</sup> (with assumed income payments of \$170 billion <sup>2</sup>)**

(Money amounts in millions)

| Net income classes (in thousands) | Taxable returns   |                      | Net income     |                      | Tax liability under <sup>3</sup> — |                      |                                |                      |                               |                      | Decrease in tax over present law |                                      |                               |                                      |                                |                                      |                               |                                      |
|-----------------------------------|-------------------|----------------------|----------------|----------------------|------------------------------------|----------------------|--------------------------------|----------------------|-------------------------------|----------------------|----------------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------------------------|--------------------------------------|-------------------------------|--------------------------------------|
|                                   | Number            | Percent distribution | Amount         | Percent distribution | Present law                        |                      | H. R. 1 as passed by the House |                      | Senate Finance Committee bill |                      | H. R. 1 as passed by the House   |                                      | Senate Finance Committee bill |                                      | H. R. 1 as passed by the House |                                      | Senate Finance Committee bill |                                      |
|                                   |                   |                      |                |                      | Amount                             | Percent distribution | Amount                         | Percent distribution | Amount                        | Percent distribution | Simple distribution              | Cumulated from smallest income class | Simple distribution           | Cumulated from smallest income class | Simple distribution            | Cumulated from smallest income class | Simple distribution           | Cumulated from smallest income class |
|                                   |                   |                      |                |                      | Amount                             |                      |                                |                      | Percentage distribution       |                      |                                  |                                      |                               |                                      |                                |                                      |                               |                                      |
| \$0 to \$1.....                   | 6,989,303         | 14.07                | \$5,417        | 4.47                 | \$365                              | 2.05                 | \$252                          | 1.84                 | \$251                         | 1.83                 | \$113                            | \$113                                | \$114                         | \$114                                | 2.79                           | 2.79                                 | 2.84                          | 2.84                                 |
| \$1 to \$2.....                   | 19,201,704        | 38.66                | 28,731         | 23.71                | 2,746                              | 15.47                | 1,889                          | 13.78                | 1,877                         | 13.66                | 856                              | 969                                  | 869                           | 983                                  | 21.17                          | 23.96                                | 21.62                         | 24.46                                |
| \$2 to \$3.....                   | 13,519,423        | 27.22                | 33,479         | 27.63                | 3,368                              | 18.97                | 2,565                          | 18.71                | 2,552                         | 18.58                | 803                              | 1,772                                | 816                           | 1,799                                | 19.86                          | 43.82                                | 20.30                         | 44.76                                |
| \$3 to \$4.....                   | 6,103,173         | 12.29                | 20,843         | 17.20                | 2,394                              | 13.43                | 1,867                          | 13.62                | 1,853                         | 13.49                | 517                              | 2,289                                | 531                           | 2,330                                | 12.78                          | 56.60                                | 13.21                         | 57.97                                |
| \$4 to \$5.....                   | 1,909,500         | 3.84                 | 8,440          | 6.97                 | 1,136                              | 6.40                 | 898                            | 6.55                 | 894                           | 6.51                 | 238                              | 2,527                                | 242                           | 2,572                                | 5.89                           | 62.49                                | 6.03                          | 64.00                                |
| <b>Total under 5.....</b>         | <b>47,723,103</b> | <b>96.08</b>         | <b>96,900</b>  | <b>79.98</b>         | <b>9,999</b>                       | <b>56.32</b>         | <b>7,472</b>                   | <b>54.50</b>         | <b>7,427</b>                  | <b>54.07</b>         | <b>2,527</b>                     | -----                                | <b>2,572</b>                  | -----                                | <b>62.49</b>                   | -----                                | <b>64.00</b>                  | -----                                |
| \$5 to \$10.....                  | 1,265,939         | 2.55                 | 8,450          | 6.98                 | 1,453                              | 8.18                 | 1,151                          | 8.39                 | 1,147                         | 8.35                 | 302                              | 2,829                                | 306                           | 2,878                                | 7.47                           | 69.96                                | 7.61                          | 71.61                                |
| \$10 to \$25.....                 | 530,578           | 1.07                 | 7,850          | 6.48                 | 2,125                              | 11.97                | 1,698                          | 12.38                | 1,697                         | 12.35                | 427                              | 3,256                                | 428                           | 3,306                                | 10.55                          | 80.51                                | 10.65                         | 82.26                                |
| \$25 to \$50.....                 | 105,950           | .21                  | 3,580          | 2.96                 | 1,501                              | 8.45                 | 1,205                          | 8.79                 | 1,204                         | 8.77                 | 296                              | 3,552                                | 297                           | 3,603                                | 7.32                           | 87.83                                | 7.39                          | 89.65                                |
| \$50 to \$100.....                | 36,593            | .07                  | 2,537          | 2.09                 | 1,385                              | 7.80                 | 1,116                          | 8.14                 | 1,162                         | 8.46                 | 269                              | 3,821                                | 223                           | 3,826                                | 6.65                           | 94.48                                | 5.55                          | 95.20                                |
| \$100 to \$300.....               | 8,158             | .02                  | 1,260          | 1.04                 | 857                                | 4.83                 | 695                            | 5.07                 | 716                           | 5.21                 | 162                              | 3,983                                | 141                           | 3,967                                | 4.01                           | 98.49                                | 3.51                          | 98.71                                |
| \$300 to \$500.....               | 570               | ( <sup>4</sup> )     | 216            | .18                  | 161                                | .91                  | 133                            | .97                  | 138                           | 1.01                 | 28                               | 4,011                                | 23                            | 3,990                                | .69                            | 99.18                                | .57                           | 99.28                                |
| \$500 to \$1,000.....             | 290               | ( <sup>4</sup> )     | 197            | .16                  | 145                                | .82                  | 126                            | .92                  | 129                           | .94                  | 19                               | 4,030                                | 16                            | 4,006                                | .47                            | 99.65                                | .40                           | 99.68                                |
| \$1,000 and over.....             | 82                | ( <sup>4</sup> )     | 163            | .13                  | 129                                | .72                  | 115                            | .84                  | 116                           | .84                  | 14                               | 4,044                                | 13                            | 4,019                                | .35                            | 100.00                               | .32                           | 100.00                               |
| <b>Total over 5.....</b>          | <b>1,948,060</b>  | <b>3.92</b>          | <b>24,253</b>  | <b>20.02</b>         | <b>7,756</b>                       | <b>43.68</b>         | <b>6,239</b>                   | <b>45.50</b>         | <b>6,309</b>                  | <b>45.93</b>         | <b>1,517</b>                     | -----                                | <b>1,447</b>                  | -----                                | <b>37.51</b>                   | -----                                | <b>36.00</b>                  | -----                                |
| <b>Grand total.....</b>           | <b>49,671,163</b> | <b>100.00</b>        | <b>121,153</b> | <b>100.00</b>        | <b>17,755</b>                      | <b>100.00</b>        | <b>13,711</b>                  | <b>100.00</b>        | <b>13,736</b>                 | <b>100.00</b>        | <b>4,044</b>                     | -----                                | <b>4,019</b>                  | -----                                | <b>100.00</b>                  | -----                                | <b>100.00</b>                 | -----                                |

<sup>1</sup> The full reduction in tax is effective under the Finance Committee bill in 1948 and subsequent calendar years.

<sup>2</sup> This and the prior table are for comparative purposes presented on the basis of income payments of \$170 billion. This does not represent a forecast for the calendar year 1948.

<sup>3</sup> Normal tax, surtax, and alternative tax on capital gains.

<sup>4</sup> Less than 0.01.

**NOTE**—Figures do not necessarily add to totals because of rounding.

**Source:** Staff of the Joint Committee on Internal Revenue Taxation.

## DETAILED DISCUSSION OF THE TECHNICAL PROVISIONS OF THE BILL

## SECTION I. SHORT TITLE

Section 1 provides that the Act may be cited as the "Individual Income Tax Reduction Act of 1947".

## SECTION 2. REDUCTION OF NORMAL TAX AND SURTAX ON INDIVIDUALS

Under existing law the income tax on individuals is determined by first computing tentative taxes at the rates specified in sections 11 and 12 of the code and then reducing the tentative taxes by 5 percent thereof. Section 2 of the House bill provided reductions in the normal tax and surtax on individuals by substituting a larger percentage reduction than 5 percent of the tentative taxes.

*With respect to taxable years beginning after December 31, 1946*, the House bill reduced the aggregate of the tentative normal tax and the tentative surtax, as follows:

1. If the aggregate of the tentative taxes is \$200 or less, such aggregate is reduced by 33½ percent thereof, a reduction of 30 percent of the tax under existing law;

2. If the aggregate of the tentative taxes is over \$200 but not over \$279.17, such aggregate is reduced by \$67, a reduction varying from 30 percent to 20 percent of the tax under existing law;

3. If the aggregate of the tentative taxes is over \$279.17 but not over \$250,000, such aggregate is reduced by 24 percent thereof, a reduction of 20 percent of the tax under existing law;

4. If the aggregate of the tentative taxes is in excess of \$250,000, the first \$250,000 thereof is reduced by 24 percent (a 20 percent reduction of such portion of the aggregate of tentative taxes after its 5 percent reduction under existing law), and the amount of such aggregate in excess of \$250,000 is reduced by 15 percent, a reduction of approximately 10.5 percent of such portion after its 5 percent reduction under existing law.

Your committee recommends the adoption of the reductions of the House bill for taxable years beginning after December 31, 1947 (with the exception of the introduction of a new bracket covering the aggregate of tentative normal tax and tentative surtax over \$50,000 and not over \$250,000), but recommends that for taxable years beginning in 1947 the reduction should be approximately one-half the reductions recommended for future taxable years.

*With respect to taxable years beginning after December 31, 1947*, the committee amendment—

(a) retains the reductions provided in the House bill stated in paragraphs 1 and 2 above;

(b) in cases where the aggregate of tentative taxes is over \$279.17 but not over \$50,000 retains the rule of paragraph 3 above;

(c) in cases where the aggregate of tentative taxes is in excess of \$50,000 but not in excess of \$250,000, retains the rule of paragraph 3 above as to the first \$50,000, but provides a reduction with respect to such excess over \$50,000 of 19¼ percent (instead of 24 percent as provided in the House bill), equivalent to a reduction of 15 percent of such portion of the aggregate of

tentative taxes after its 5 percent reduction under existing law, as opposed to a comparable reduction of 20 percent under the House bill;

(d) in cases where the aggregate of tentative taxes is in excess of \$250,000, while still retaining the rule of paragraph 3 above as to the first \$50,000—

(1) provides, with respect to the portion in excess of \$50,000 and not in excess of \$250,000, the rule stated in paragraph (c), and

(2) adopts as to the portion of such aggregate of tentative taxes over \$250,000 the same rule as under the House bill (stated in paragraph 4 above) namely: a reduction of 15 percent, equivalent to a reduction of approximately 10.5 percent of such portion of the aggregate of tentative taxes after its 5 percent reduction under existing law.

*With respect to taxable years beginning in 1947*, your committee amendment provides a reduction in tax equivalent to approximately half the reduction which your committee would provide in the case of taxable years beginning after 1947. Under the committee amendment—

(a) if the aggregate of the tentative normal tax and tentative surtax is \$200 or less, such aggregate is reduced by 19¼ percent thereof, a reduction of 15 percent of the tax under existing law;

(b) if the aggregate of the tentative taxes is over \$200 but not over \$265.52, such aggregate is reduced by \$38.50, a reduction varying from 15 percent to 10 percent of the tax under existing law;

(c) if the aggregate of the tentative taxes is over \$265.52 but not over \$50,000, such aggregate is reduced by 14.5 percent thereof, a reduction of 10 percent of the tax under existing law;

(d) if the aggregate of the tentative taxes exceeds \$50,000 but does not exceed \$250,000, the aggregate is reduced by \$7,250 plus 12 percent of the excess of such aggregate over \$50,000. This reduction, with respect to the portion of the aggregate of tentative taxes not over \$50,000, is equivalent to a reduction of 10 percent of such portion after its 5 percent reduction under existing law. With respect to the portion of such aggregate in excess of \$50,000, this reduction is equivalent to a reduction of approximately 7.5 percent of such portion after its 5 percent reduction under existing law;

(e) if the aggregate of such tentative taxes exceeds \$250,000, the aggregate is reduced by \$31,250 plus 10 percent of the excess of such aggregate over \$250,000. This reduction, with respect to the portion of such aggregate of tentative taxes not in excess of \$50,000, is a reduction of 10 percent of such portion after its 5 percent reduction under existing law. With respect to the portion of such aggregate of tentative taxes in excess of \$50,000 but not in excess of \$250,000, the reduction is equivalent to a reduction of approximately 7.5 percent of such portion after its 5 percent reduction under existing law. With respect to the portion of such aggregate of tentative taxes in excess of \$250,000, the reduction is equivalent to a reduction of approximately 5.3 percent of such portion after its 5 percent reduction under existing law.

Section 12 (g) of the code provides, as an overall limitation upon the combined normal tax and surtax in the case of individuals, that such combined tax shall not exceed 85½ percent of the net income of the taxpayer. The House bill substituted for this percentage figure 76½ percent to be applicable with respect to taxable years beginning after December 31, 1946. The committee amendment retains the House figure, but limits its application to taxable years beginning after 1947. With respect to taxable years beginning in 1947, your committee, in order to conform with the revised reductions for 1947, provides that the over-all limitation shall be 81 percent.

For purposes of clarity your committee has combined the various percentage reductions in the tentative taxes into two tables, one applicable for taxable years beginning in 1947 and the other applicable for taxable years beginning after 1947. Section 2 (c) of your committee bill incorporates these tables in section 12 (g) of the code. Sections 11 and 12 of the code are amended by sections 2 (a) and 2 (b), respectively, of your committee bill to provide that the tentative normal tax and tentative surtax computed under such sections shall be reduced as provided in the tables under section 12 (g) of the code as amended by your committee.

The tables provided under the committee amendment to section 12 (g) of the code are designed to apply to the aggregate of the tentative normal tax and tentative surtax, and to provide for a reduction in the combined normal tax and surtax. In view of the fact that there are certain provisions of the code, such as sections 105 and 106, which make it necessary to determine the surtax separately from the normal tax, your committee has provided in section 12 (g) a special rule for making such computations. Under this rule the surtax shall be an amount which is the same proportion of the combined normal tax and surtax as the tentative surtax is of the aggregate of the tentative normal tax and tentative surtax.

Special provision is made in section 6 of the bill for taxable years beginning in 1946 and ending in 1947, or beginning in 1947 and ending in 1948.

### SECTION 3. INDIVIDUALS WITH ADJUSTED GROSS INCOME OF LESS THAN \$5,000

Section 3 of the House bill amended the tax table contained in section 400 of the code, relating to the optional tax on individuals with adjusted gross incomes of less than \$5,000. The bill as reported by your committee limits the application of the tax table in the House bill to taxable years beginning after 1947, and provides an additional tax table to be applicable to taxable years beginning in 1947 to reflect the reductions provided by your committee in section 2 of the bill with respect to taxable years beginning in 1947. Special provision is made in section 6 of the bill for taxable years beginning in 1946 and ending in 1947, or beginning in 1947 and ending in 1948.

### SECTION 4. ADDITIONAL CREDIT AGAINST NET INCOME FOR NORMAL TAX AND SURTAX

Section 25 (b) (1) of the code now provides certain exemptions which are allowable as credits against net income in computing the normal tax and surtax. Section 4 of the House bill amended section

25 (b) (1) of the code by introducing an additional exemption of \$500 for a taxpayer who attains the age of 65 before the end of the taxable year. The House bill provided that in the case of a joint return the additional exemption of \$500 is allowed each spouse who has attained the age of 65 and whose gross income for the taxable year is \$500 or more. The bill as reported by your committee retains the provision of the House bill respecting the additional exemption of \$500 for a taxpayer who has attained the age of 65 and the additional exemption of \$500 for the taxpayer's spouse who has attained the age of 65, but removes the requirement that the spouse must have gross income for the taxable year of \$500 or more. Where a joint return is filed and both the husband and wife have attained the age of 65, the additional exemption for old age will be \$500 for each such taxpayer.

The additional exemptions provided by section 4 of your committee bill, as in the corresponding provision of the House bill, do not apply to a nonresident alien who is not a resident of a contiguous country, to a citizen of the United States who is entitled to the benefits of section 251 of the code, relating to income from sources within possessions of the United States, or to a citizen of a possession of the United States (other than the Virgin Islands) not otherwise a citizen of the United States and not a resident of the United States.

Subsection (b) of section 4 of the House bill amended section 25 (b) (2) of the code to provide that for the purposes of the additional exemption for old age, the determination of whether or not an individual has attained the age of 65 shall be made as of the last day of the taxable year. Your committee bill amends section 25 (b) (1) of the code to incorporate this provision, and subsection (b) of section 4 of the House bill has, therefore, been eliminated. In determining the age of an individual for the purposes of the exemption for old age the last day of the taxable year of the taxpayer is the controlling date. Thus, in the event of a separate return by a husband no additional exemption for old age may be claimed for his spouse unless such spouse has attained the age of 65 on or before the last day of the taxable year of the husband. Nor will the husband filing a separate return be entitled to such exemption for said spouse if during the calendar year in which his taxable year begins, she received over half of her support from another taxpayer. In no event shall the additional exemption for old age be allowed with respect to a spouse who dies before attaining the age of 65, even though such spouse would have attained the age of 65 before the close of the taxpayer's taxable year. For the purposes of the old-age exemption, an individual attains the age of 65 on the first moment of the day preceding his sixty-fifth birthday. Accordingly, an individual whose sixty-fifth birthday falls on January 1 in a given year attains the age of 65 on the last day of the calendar year immediately preceding.

Your committee has eliminated subsection (c) of section 4 of the House bill. This subsection amended section 22 of the code (relating to gross income) by adding a new subsection (o) to require an individual entitled to the old age exemption to include in gross income for the taxable year the first \$500 of certain tax-exempt pensions, annuities, etc. Subsection (d) of section 4 of the House bill which made a technical amendment to section 22 (b) (5) of the code has likewise been eliminated in view of the removal of the provision which originally necessitated its inclusion.

Subsection (b) of section 4 of the bill as reported by your committee contains four technical amendments, not found in the House bill, necessitated by the insertion in the code of the old age exemption.

Paragraph (1) of section 4 (b) amends section 58 (a) (1) of the code. Existing law requires a declaration of estimated tax if the taxpayer's gross income from wages subject to withholding may be expected to exceed \$5,000 plus \$500 for each exemption to which he is entitled except his own exemption. Your committee amends section 58 (a) (1) to give effect to the old age exemption provided in the bill. Under the amendment a declaration will be required if the anticipated wage exceeds \$4,500 plus \$500 for each exemption to which the taxpayer is entitled, including his own exemption. Under existing law a single person who has no dependents and is under 65 years of age and who derives his income solely from wages subject to withholding is required to file a declaration if his anticipated wages for the calendar year exceed \$5,000. Under the committee amendment the same result will follow (\$4,500 plus \$500 for his own exemption). Under the committee amendment if the same individual is over the age of 65 the declaration would not be required unless his anticipated wages for the calendar year exceeded \$5,500 (\$4,500 plus \$500 for his own exemption plus \$500 for his old age exemption). Similarly under existing law, a single person under the age of 65 who has one dependent is not required to file a declaration unless his anticipated wages exceed \$5,500 (\$5,000 plus \$500 for the dependent). The same result would follow under the committee amendment (\$4,500 plus \$500 for his own exemption plus \$500 for his dependent).

The House bill does not make available for withholding purposes the additional exemption allowed to individuals who have attained the age of 65. Paragraph (2) of section 4 (b) would amend section 1622 (h) (1) of the code to authorize the allowance of the old-age exemption for withholding purposes. Paragraph (3) would require employers to give effect to the additional exemption with respect to the first payment of wages made on or after the ninetieth day after the date of the enactment of the bill, if a withholding exemption certificate is filed at least 30 days before such ninetieth day. This will allow employees approximately 60 days from the date of enactment within which to furnish new exemption certificates and will allow employers a minimum of 30 days to give effect to such certificates.

Paragraph (4) of section 4 (b) amends section 23 (x) of the code relating to deduction of medical, etc., expenses. Under the House bill the amendment providing for the additional exemption for old age had the effect of increasing from \$1,250 to \$2,500 the maximum deduction provided for medical expenses by section 23 (x) of the code in the case of a single individual over 65 years of age having no dependents. Under the committee amendment the maximum deduction provided for medical expenses by section 23 (x) of the code will not be increased by the additional exemption provided for old age.

Subsection (c) of this section of your committee bill is identical with subsection (e) of section 4 as passed by the House, and provides that the amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1946. Special provision is made in section 6 of the bill for taxable years beginning in 1946 and ending in 1947.

**SECTION 5. REDUCTION IN WITHHOLDING OF TAX AT SOURCE ON WAGES**

Section 5 (a) of the House bill amended section 1622 (a) of the code, relating to the percentage method of withholding, to reflect the reductions in tax provided in section 2 of that bill. The House bill required the application of four rates in computing the amount to be withheld under the percentage method instead of the two rates provided in existing law. Your committee amendment simplifies the computation under the percentage method of withholding by substituting three rates for the four provided in the House bill. The wage bracket withholding tables contained in section 5 (b) of the House bill are also adjusted to conform to the above change.

Under your committee amendment section 5 of the bill is made applicable with respect to wages paid on or after July 1, 1947, instead of June 1, 1947, as provided in the House bill.

**SECTION 6. FISCAL YEAR TAXPAYERS**

The bill as reported by your committee retains the provision of the House bill respecting the computation of the tax for fiscal years beginning in 1946 and ending in 1947, and adds a new subsection to section 108 to provide for the computation of the tax imposed by sections 11, 12, and 400 for taxable years beginning in 1947 and ending in 1948. This new subsection is necessitated by your committee amendments providing tax reductions for 1947 different from those provided for subsequent years.

